

DEBT SERVICE FUND - SUMMARY

Debt Service Fund Description

The Debt Service Fund accounts for the accumulation of resources for the payment of general obligation debt service for the City and the School Board, except for debt payable by the Utilities Fund. Revenues of the Debt Service Fund are derived from transfers from the General Fund and/or Capital Projects Fund.

The City's most significant debt is in School bonds and literary loans. Other significant debt service items relate to City bonds and notes. The City received the following bond ratings on its 1994 bond issue (last rated year): Moody's Investors Service --A1, Standard & Poors--A.

All the debt service presented in the budget is based on legally binding agreements, unless it is labeled estimate.

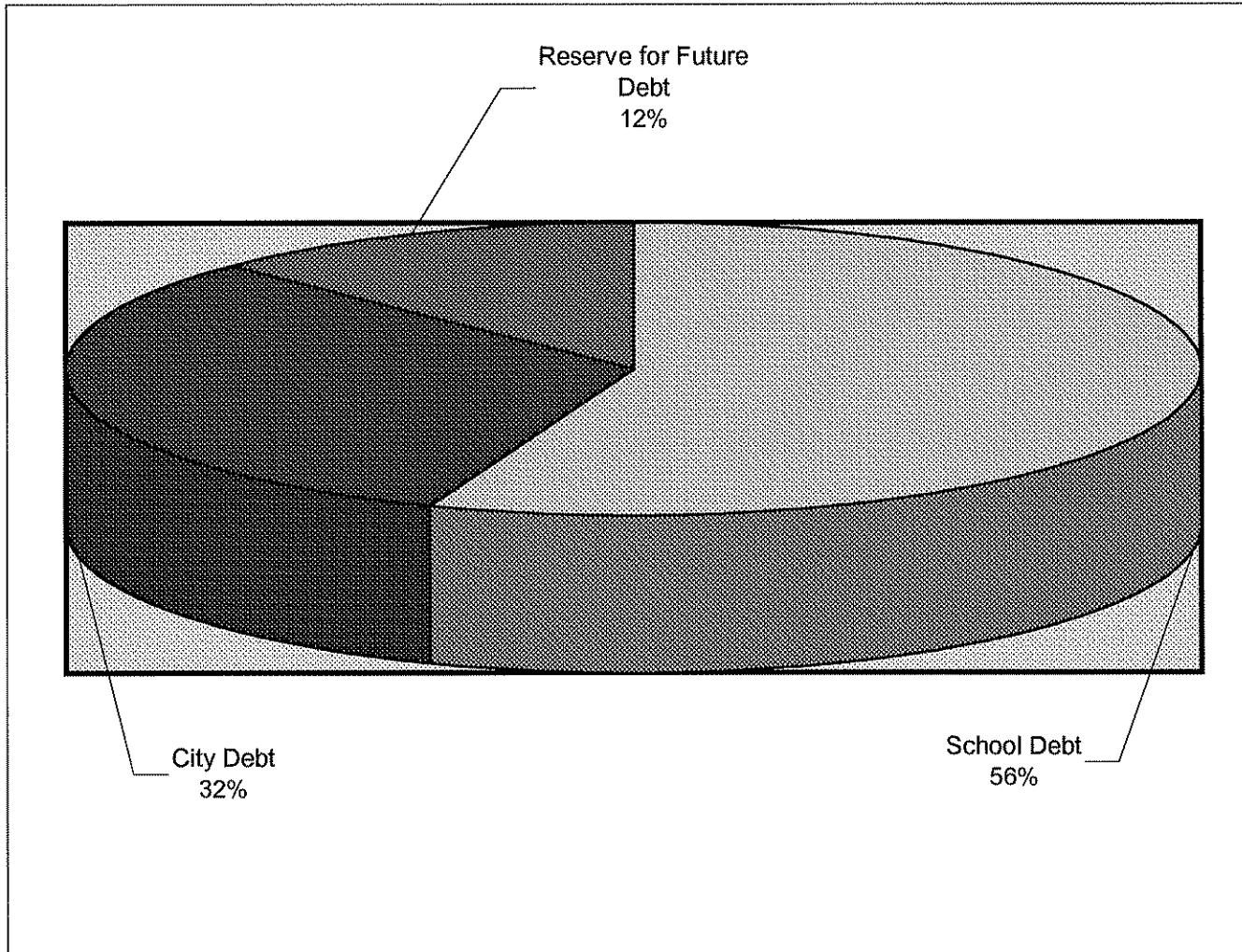
City of Poquoson Charter Article 13 "Limitation on the issuance of bonds or other interest bearing obligations" addresses the debt limit. It states that there shall not be any issued bonds or other interest-bearing obligations which exceed for any one issuance, one and one-half percentum of the assessed valuation of the real estate in the City subject to taxation, according to the most current assessment for taxes, without voter approval. Certificates of indebtedness, revenue bonds, or other obligations issued in anticipation of the collection of the revenues for the current year, provided they mature within one year from issuance, are not required to be voted on by the qualified voters of the City.

Debt Service Projection of Fund Balance

Beginning Fund Balance - 7/1/2003	\$ -
Actual FY 2004 Revenues	\$ 1,508,041
Actual FY 2004 Expenditures	<u>(1,508,041)</u>
Ending Fund Balance - 6/30/2004	\$ -
Actual FY 2005 Revenues	\$ 1,565,026
Actual FY 2005 Expenditures	<u>(1,565,026)</u>
Ending Fund Balance - 6/30/2005	\$ -
Estimated FY 2006 Revenues	\$ 1,604,694
Estimated FY 2006 Expenditures	<u>(1,524,694)</u>
Projected Fund Balance - 6/30/2006	\$ 80,000
Estimated FY 2007 Revenues	\$ 2,427,570
Estimated FY 2007 Expenditures	<u>(2,124,939)</u>
Projected Fund Balance - 6/30/2007	<u>\$ 382,631</u>

DEBT SERVICE FUND - SUMMARY

Debt Service Expenditures



<u>Debt Service Expenditures</u>	<u>Estimated</u>	<u>FY 2006</u>	<u>FY 2007</u>
School Debt	\$	829,146	\$ 1,355,443
City Debt		695,548	769,496
Reserve for Future Debt	<u>80,000</u>		<u>302,631</u>
TOTAL	\$ 1,604,694		\$ 2,427,570

DEBT SERVICE FUND - REVENUE

Debt Service Revenue

Account Title	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2006 Estimated Revenue	FY 2007 Adopted Revenue	\$ Change From 2006 Budget	% Change From 2006 Budget
Transfer from General Fund	\$ 1,508,041	\$ 1,565,026	\$ 1,604,694	\$ 1,604,694	\$ 2,427,570	\$ 822,876	51.3%
TOTAL TRANSFERS IN	\$ 1,508,041	\$ 1,565,026	\$ 1,604,694	\$ 1,604,694	\$ 2,427,570	\$ 822,876	51.3%

Revenue Explanations

Transfers: The Debt Service Fund is financed exclusively from transfers made by other funds. Usually the transfer of debt comes from the General Fund.

Computation of Estimated Legal Debt Margins for FY 2007

There is a legal limit for cities in Virginia whereby the amount of bonded long-term debt cannot exceed 10% of the City's total assessed value of real estate. The computation of the margin for additional borrowing, based on estimated assessed values as of 7/1/2006 is shown below. A further discussion of the City's debt service can be found in the Appendix section of this document.

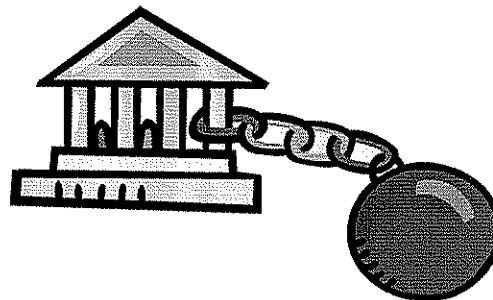
Estimated Assessed Value of Real Estate as of 7/1/2006

General	\$1,556,995,617
Public Service Corporation	11,950,000
Total	\$1,568,945,617
Total Bonding Limit (10% of total assessed value)	\$156,894,562
General Obligation Bonds, other than those authorized for a specific revenue producing project	\$18,085,000
State Literary Fund Loans	3,567,820
Notes Payable	2,779,442
Sewer Bonds	11,280,327
Net Bonded indebtedness subject to limit	\$35,712,589
Bonded indebtedness as percent of assessed value of real estate	<u>2.3%</u>
Margin for Additional Borrowing	<u>\$121,181,973</u>

DEBT SERVICE FUND - EXPENDITURES

Debt Service Expenditures

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
School Principal	\$ 610,442	\$ 634,458	\$ 595,071	\$ 601,394	\$ 6,323	1.1%
School Interest	281,436	258,418	234,075	754,049	519,974	222.1%
City Principal	372,976	432,336	465,427	492,488	27,061	5.8%
City Interest	239,532	237,659	227,121	274,008	46,887	20.6%
Trustee Fees	1,655	1,655	3,000	3,000	-	0.0%
Advance Refunding	-	-	-	-	n/a	n/a
Cost of Issuance	2,000	500	-	-	n/a	n/a
Reserve Future Debt	-	-	80,000	302,631	222,631	278.3%
Totals	\$ 1,508,041	\$ 1,565,026	\$ 1,604,694	\$ 2,427,570	\$ 822,876	51.3%



Significant Budget Items

- * In FY 2006, the City added \$14.5 million to the existing debt service, of that amount \$13 million is for the new Elementary School and remaining \$1.5 million is for a new Fire Station 1. Both of these buildings suffered extensive damage caused by Hurricane Isabel in September 2003.
- * In FY 2007, the City anticipates adding an additional \$2.5 million to the School debt service for the new Elementary School which will bring the total to \$15.5 million for the school project.
- * Also in FY 2007, the City's Financial Advisor, Davenport & Company, recommended that \$302,631 be set aside for the School's future debt payments.

DEBT SERVICE FUND - EXPENDITURES

Expenditures Summary

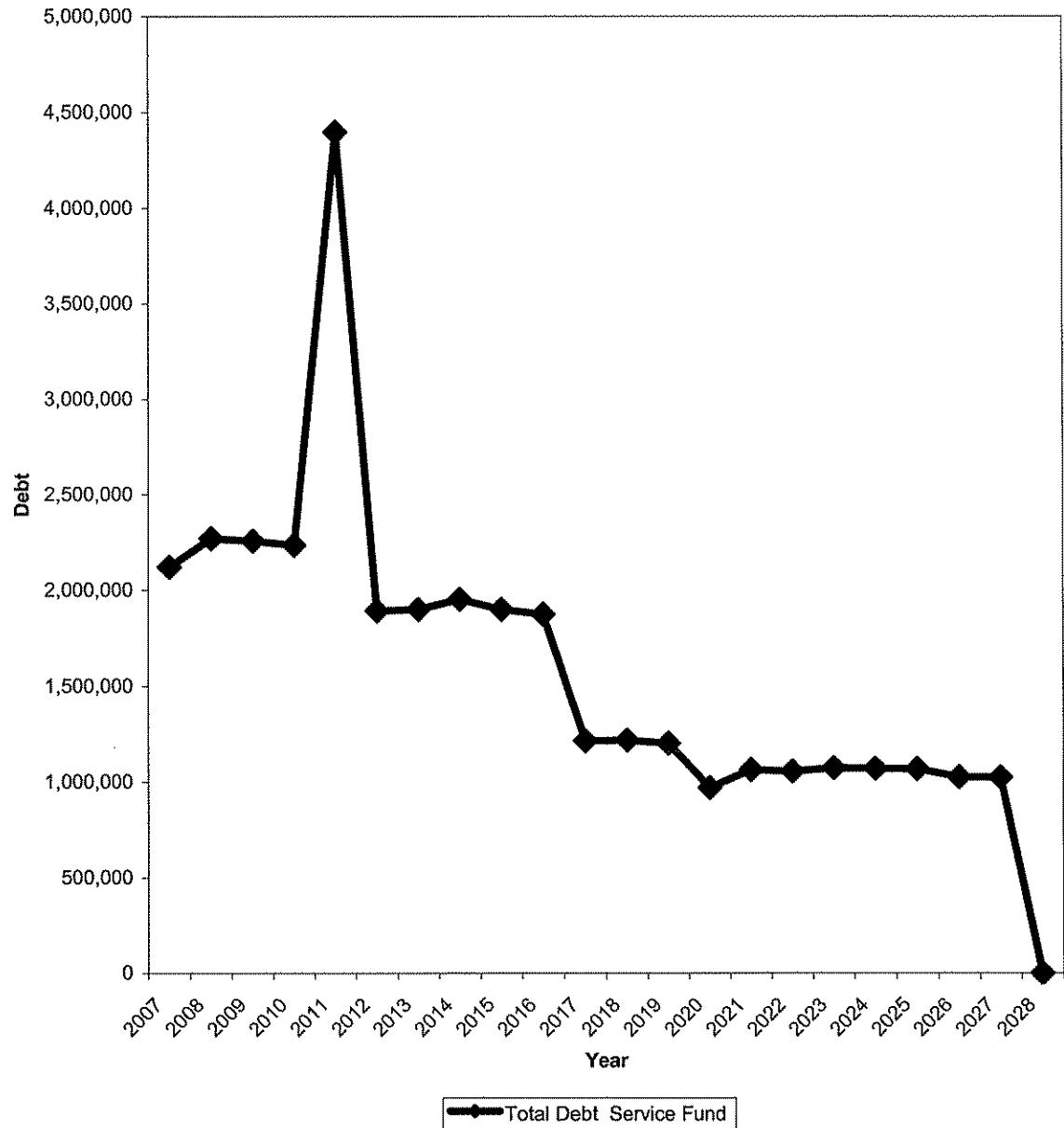
DEBT INSTRUMENT	FY 2007 Principal	FY 2007 Interest	FY 2007 Other Fees	FY 2007 Adopted Budget
Schools				
Bonds:				
1994A Refunded VPSA	\$70,000	\$17,280	\$0	\$87,280
1998A VPSA PHS Addition/Renovations	35,000	9,868		44,868
2002 Refunded 1994A (Cafeteria)	59,183	23,131		82,314
2005 PES New School		157,617		157,617
2006A PES New School		88,936		88,936
2006B PES New School		305,223		305,223
Literary Loans:				
1989 PPS	125,000	15,000		140,000
1998 PPS Desiccant Wheel	27,000	6,595		33,595
1998 PHS Addition/Renovations	250,000	97,500		347,500
Notes Payable:				
2001 Refinanced VRS Obligation	35,211	32,899		68,110
Total Schools	\$601,394	\$754,049	\$0	\$1,355,443
City				
Bonds:				
2002 Refunded 1994 A (City Hall)	230,817	90,213		321,030
2005 Fire Station #1		67,550		67,550
Notes Payable:				
1998A Court House	82,659	45,708		128,367
2001 Fire Station #2	55,408	35,533		90,941
2002 Fire Pumper w/Aerial	58,467	13,837		72,304
2005 Fire Pumpers	65,137	21,167		86,304
Trustee Fees:				
Sun Trust/Bank of New York			3,000	3,000
Reserve Future Debt:				
Total City	\$492,488	\$274,008	\$305,631	\$1,072,127
TOTAL DEBT SERVICE FY 2007	\$1,093,882	\$1,028,057	\$305,631	\$2,427,570

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DEBT SERVICE FUND - LONG TERM DEBT OBLIGATIONS

<u>Summary of Long Term Debt Obligations</u>	<u>Projected Balance 6/30/2006</u>	<u>Additions</u>	<u>Retirement</u>	<u>Projected Balance 6/30/2007</u>
General Long Term Obligations				
School Bonds:				
1994A Refunded VPSA 1989	\$275,000	\$0	\$70,000	\$205,000
1998A VPSA PHS Addition/Renovations	405,000		35,000	370,000
2002 Refunded 1994A (Cafeteria)	673,463		59,183	614,280
2005 New PES	3,500,000			3,500,000
2006A New PES	2,384,000			2,384,000
2006B New PES	7,116,000			7,116,000
2007 Proposed New PES		2,500,000		2,500,000
	\$14,353,463	\$2,500,000	\$164,183	\$16,689,280
School Literary Loans:				
1989 PPS	500,000		125,000	375,000
1998 PPS Desiccant Wheel	219,820		27,000	192,820
1998 PHS Addition/Renovations	3,250,000		250,000	3,000,000
	3,969,820	0	402,000	3,567,820
School Notes Payable:				
2001 Refinanced VRS Obligation	482,383		35,211	447,173
	482,383	0	35,211	447,173
City Bonds:				
2002 Refunded 1994A (City Hall)	2,626,537		230,817	2,395,720
2005 New Fire Station #1	1,500,000			1,500,000
	4,126,537	0	230,817	3,895,720
City Notes Payable:				
1998A Court House	1,015,734		82,659	933,075
2001 Fire Station #2	668,507		55,408	613,099
2002 Fire Pumper w/Aerial	318,671		58,467	260,204
2005 Fire Pumpers	591,024		65,133	525,891
	2,593,936	0	261,667	2,332,269
Total General Long Term Obligations	\$25,526,139	\$2,500,000	\$1,093,878	\$26,932,262
Sewer Fund Obligations				
Sewer Notes Payable:				
2002 Sewer Cleaning Truck Lease	29,473		29,473	0
Sewer Bonds:				
1994A September GO Bonds	125,000		125,000	0
1998B Refunding Bonds	2,143,368		25,091	2,118,277
2000 DEQ Loan	5,898,524		318,502	5,580,022
2000 DEQ Loan	2,142,729		115,701	2,027,028
2002 VRA Loan	945,000		40,000	905,000
2003B Refunding	765,000		115,000	650,000
Total Sewer Obligations	\$12,049,094	\$0	\$768,767	\$11,280,327

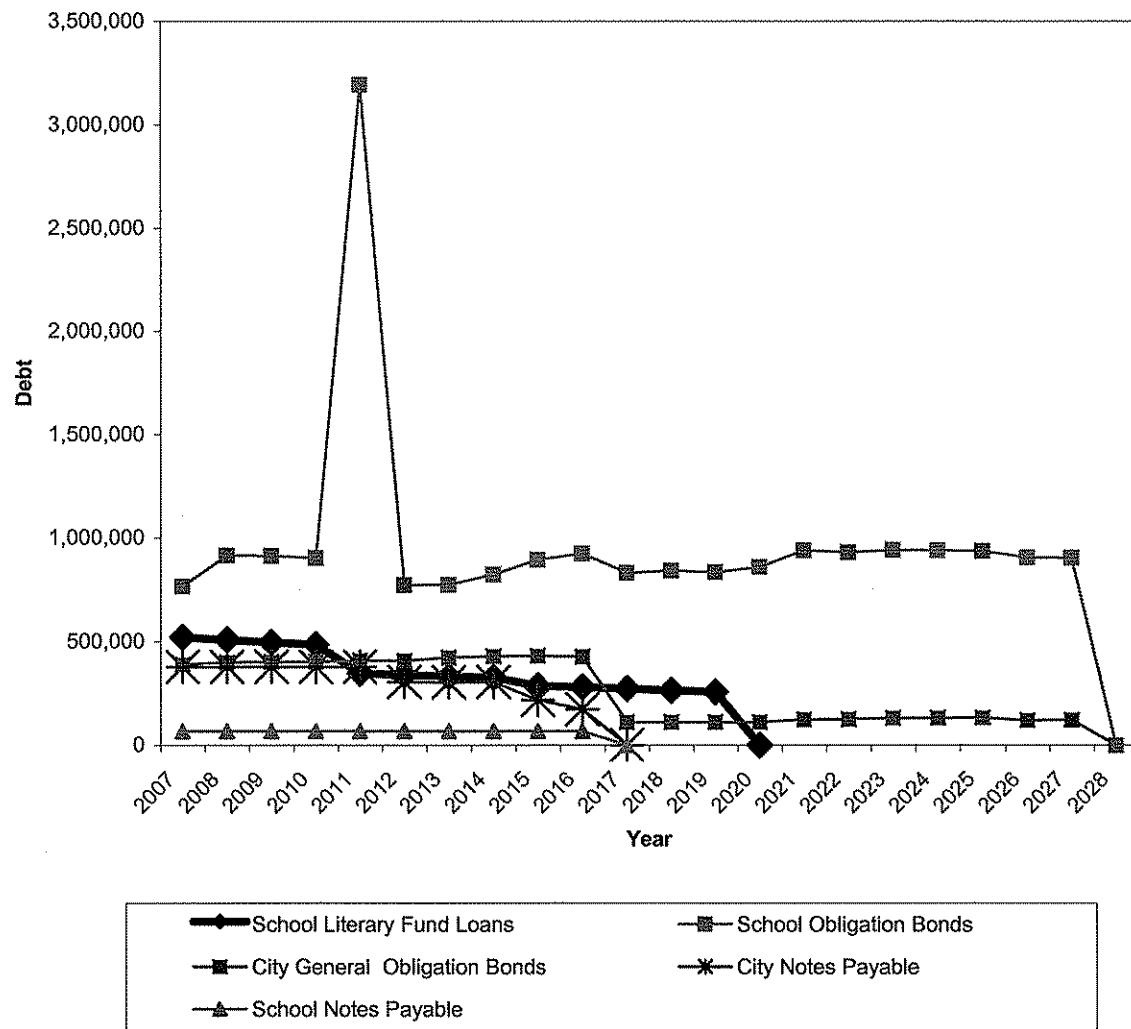
DEBT SERVICE FUND



The above graph depicts the City's debt service over the years. The City will see decreases in debt service in 2011.

DEBT SERVICE FUND

Debt Service By Type



The City has various debt instruments. The largest outstanding loans are from State Literary Loan Funds which are used to pay for School construction projects. The City also has other notes and bonds, which have been used to pay for various School and City projects.

DEBT SERVICE FUND--AMORTIZATION OF LONG TERM DEBT

Amortization of Long Term Debt

Year Ending	School Literary Fund Loans		School General Obligation Bonds		School Notes Payable	
	June 30	Principal	Interest	Principal	Interest	Principal
2007	402,000	119,095	164,183	602,056	35,211	32,898
2008	402,000	107,035	368,683	546,683	37,613	30,497
2009	402,000	94,975	383,124	530,231	40,178	27,932
2010	402,000	82,911	388,665	513,463	42,918	25,191
2011	277,000	70,855	2,737,606	457,215	45,845	22,264
2012	277,000	62,545	369,946	402,404	48,972	19,138
2013	277,000	54,235	386,187	387,508	52,311	15,798
2014	280,820	45,925	452,269	371,051	55,879	12,230
2015	250,000	37,500	543,730	351,375	59,690	8,419
2016	250,000	30,000	595,470	328,763	63,766	4,197
2017	250,000	22,500	527,000	304,892		
2018	250,000	15,000	558,400	283,125		
2019	250,000	7,500	573,300	260,444		
2020			622,100	236,669		
2021			729,900	209,964		
2022			750,300	180,732		
2023			791,500	150,294		
2024			820,700	118,475		
2025			850,600	85,492		
2026			853,900	51,845		
2027			885,900	17,492		
TOTAL	\$ 3,969,820	\$ 750,076	\$ 14,353,463	\$ 6,390,173	\$ 482,383	\$ 198,564

The above Amortization of Long Term Debt schedule does not include the proposed \$2.5 million for FY 2007. This schedule only reflects actual amortization schedules received.

DEBT SERVICE FUND--AMORTIZATION OF LONG TERM DEBT

Amortization of Long Term Debt

Year Ending	City General Obligation Bonds		City Notes Payable		Total Debt Service Fund	
	June 30	Principal	Interest	Principal	Interest	Principal
2007	230,817	157,763	261,667	116,245	1,093,496	1,028,057
2008	258,417	141,463	273,306	104,607	1,340,019	930,285
2009	267,576	134,258	285,473	92,440	1,378,351	879,836
2010	277,035	126,790	298,194	79,720	1,408,812	828,075
2011	292,494	116,297	311,494	66,419	3,664,439	733,050
2012	301,954	105,335	253,095	52,513	1,250,967	641,935
2013	330,013	93,660	264,496	39,038	1,310,007	590,239
2014	348,631	81,247	276,426	29,183	1,414,025	539,636
2015	363,270	68,139	202,609	16,701	1,419,299	482,134
2016	374,230	54,477	167,558	6,730	1,451,024	424,167
2017	70,800	40,403			847,800	367,795
2018	74,100	37,606			882,500	335,731
2019	77,400	34,682			900,700	302,626
2020	80,400	31,637			702,500	268,306
2021	96,000	28,232			825,900	238,196
2022	100,500	24,440			850,800	205,172
2023	111,000	20,358			902,500	170,652
2024	116,100	15,975			936,800	134,450
2025	121,200	11,395			971,800	96,887
2026	114,600	6,844			968,500	58,689
2027	120,000	2,316			1,005,900	19,808
TOTAL	\$ 4,126,537	\$ 1,333,317	\$ 2,594,318	\$ 603,596	\$ 25,526,139	\$ 9,275,726

DEBT SERVICE FUND--AMORTIZATION OF LONG TERM DEBT

Amortization of Long Term Debt

Year Ending June 30	Sewer Bonds/Notes		Total		
	Principal	Interest	Total Sewer Principal & Interest	Debt Service Principal & Interest	Total Debt Principal & Interest
2007	768,766	445,934	1,214,700	2,121,553	3,336,253
2008	771,689	417,300	1,188,989	2,270,304	3,459,293
2009	795,971	389,067	1,185,038	2,258,187	3,443,225
2010	825,565	359,281	1,184,846	2,236,887	3,421,733
2011	855,482	328,857	1,184,339	4,397,489	5,581,828
2012	885,888	297,324	1,183,212	1,892,902	3,076,114
2013	781,414	264,476	1,045,890	1,900,246	2,946,136
2014	811,957	233,903	1,045,860	1,953,661	2,999,521
2015	842,654	202,126	1,044,780	1,901,433	2,946,213
2016	868,668	169,122	1,037,790	1,875,191	2,912,981
2017	904,844	135,343	1,040,187	1,215,595	2,255,782
2018	941,245	100,134	1,041,379	1,218,231	2,259,610
2019	728,443	68,992	797,435	1,203,326	2,000,761
2020	756,690	42,175	798,865	970,806	1,769,671
2021	429,818	14,282	444,100	1,064,096	1,508,196
2022	80,000	4,080	84,080	1,055,972	1,140,052
2023				1,073,152	1,073,152
2024				1,071,250	1,071,250
2025				1,068,687	1,068,687
2026				1,027,189	1,027,189
2027				1,025,708	1,025,708
TOTAL	\$ 12,049,094	\$ 3,472,396	\$ 15,521,490	\$ 34,801,865	\$ 50,323,355

Note:

All sewer debt service is accounted for in the Utilities Fund in accordance with Governmental Accounting practice. This schedule is shown so that the reader will have a comprehensive listing of all future City and School debt payments.

CAPITAL PROJECTS FUND - SUMMARY

Capital Projects Fund Description

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major City or School capital facilities, infrastructure, and equipment other than those financed by proprietary funds.

The City has adopted a Five Year Capital Improvements Program (CIP) which is used as the basis of capital funding. The last CIP adopted by Council was for the period of FY 2007 to beyond FY 2011. Some of the FY 2007 proposed projects in the CIP have been incorporated into the budget. For presentation purposes, the FY 2007 through FY 2011 CIP's General Fund Projects are shown in detail found on page 118.

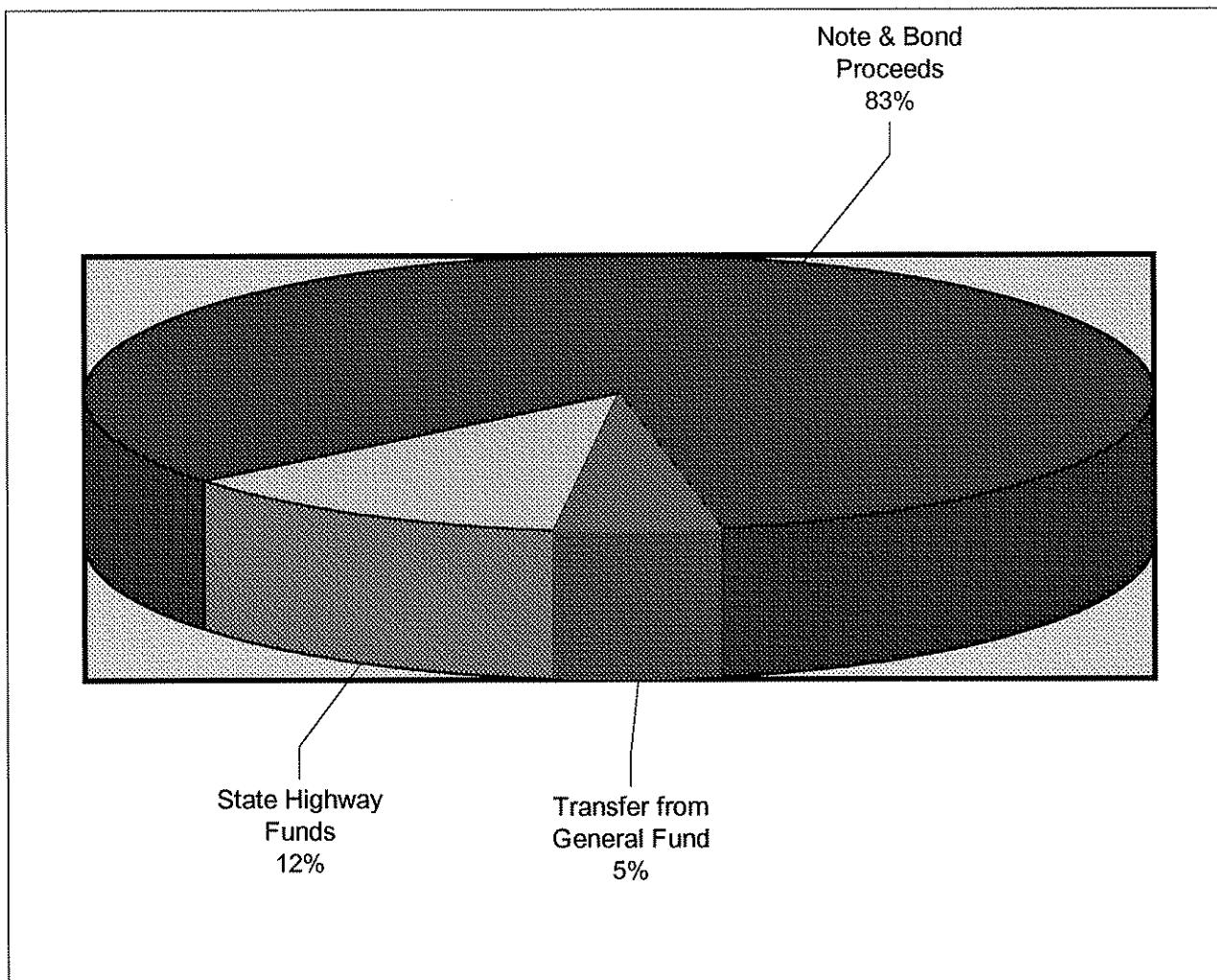
Unlike the City's General Fund in which any unexpended funds lapse at the end of the fiscal year, the monies appropriated in the Capital Fund can be used over a three year period. Therefore, in addition to funds budgeted for FY 2007, there are also monies remaining from prior years that fund continuing projects.

Capital Projects Projection of Fund Balance

Beginning Fund Balance - 6/30/2003	\$ 767,291
Actual FY 2004 Revenues	\$ 1,243,464
Actual FY 2004 Expenses	(986,129)
Fund Balance 6/30/2004	\$ 257,335
	\$ 1,024,626
Actual FY 2005 Revenues	\$ 2,400,576
Actual FY 2005 Expenses	(2,338,525)
Fund Balance 6/30/2005	\$ 62,051
	\$ 1,086,677
Estimated FY 2006 Revenues	\$ 15,964,860
Estimated FY 2006 Expenditures	(447,000)
Projected Fund Balance - 6/30/2006	\$ 15,517,860
	\$ 16,604,537
Estimated FY 2007 Revenues	\$ 3,023,000
Estimated FY 2007 Expenditures	(17,296,157)
Projected Fund Balance - 6/30/2007	\$ 2,331,380

CAPITAL PROJECTS FUND - SUMMARY

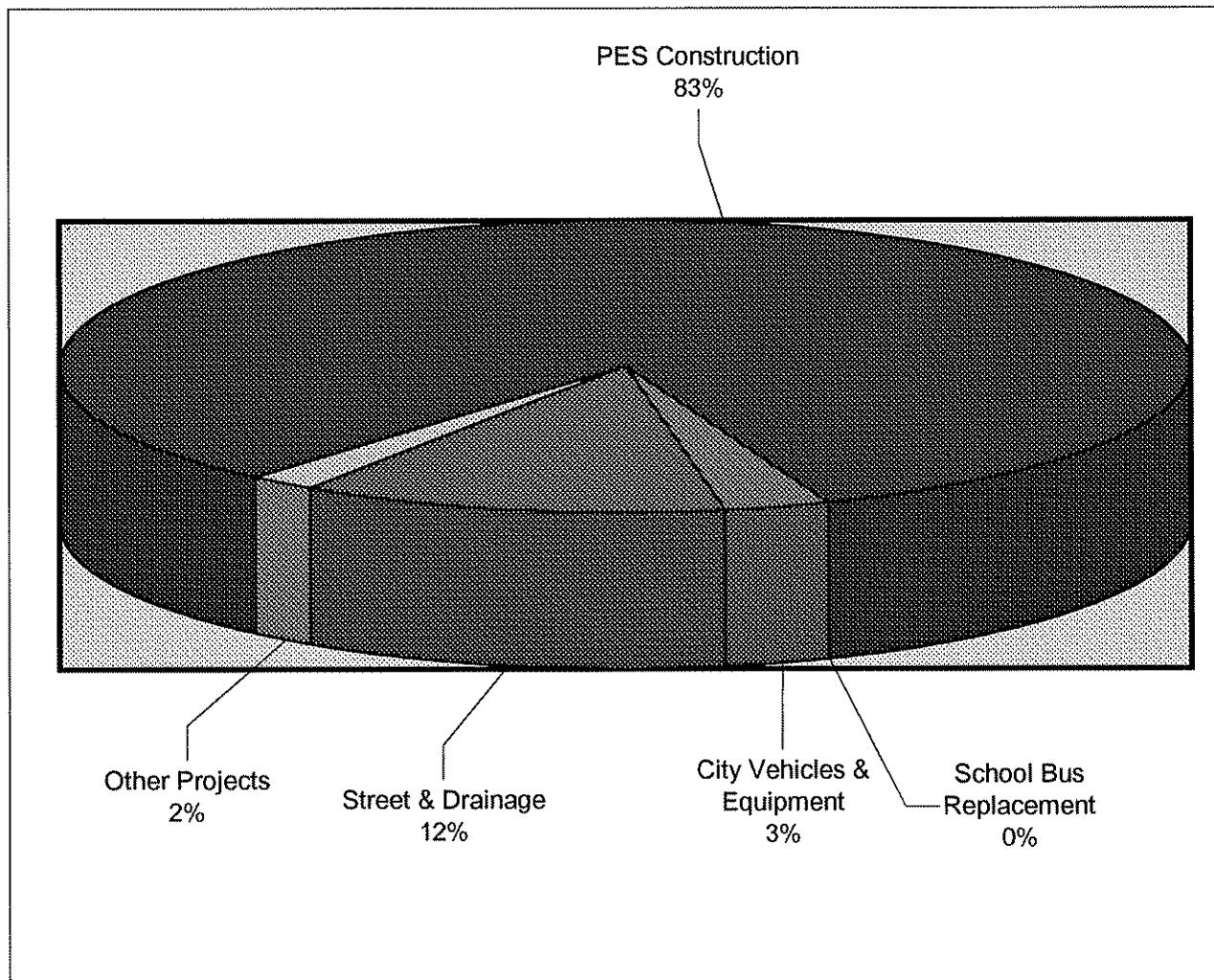
Capital Projects Revenue



<u>Capital Projects Revenue</u>	<u>Estimated</u>	<u>FY 2006</u>	<u>FY 2007</u>
State Highway Funds	\$	367,000	\$ 370,000
Note & Bond Proceeds		14,500,000	2,500,000
Grants		112,500	-
Miscellaneous		96,182	-
Transfer from General Fund		183,306	153,000
Reappropriation of Fund Balance		705,872	-
TOTAL		<u>\$ 15,964,860</u>	<u>\$ 3,023,000</u>

CAPITAL PROJECTS FUND - SUMMARY

Capital Projects Expenditures



<u>Capital Projects Expenditures</u>	Estimated	
	<u>FY 2006</u>	<u>FY 2007</u>
Street & Drainage	\$ 367,000	\$ 370,000
Other Projects	20,000	59,000
PES Construction	-	2,500,000
School Bus Replacement	-	0
City Vehicles & Equipment	<u>60,000</u>	<u>94,000</u>
TOTAL	<u>\$ 447,000</u>	<u>\$ 3,023,000</u>

CAPITAL PROJECTS FUND - REVENUE

Revenue Summary

Account Title	FY 2004	FY 2005	FY 2006	FY 2006	FY 2007	\$ Change	% Change
	Actual	Actual	Revised Revenue	Estimated Revenue	Adopted Revenue	From 2006 Budget	From 2006 Budget
State Highway Funds	\$ 347,772	\$ 363,761	\$ 367,000	\$ 367,000	\$ 370,000	\$ 3,000	0.8%
Sale of Equipment	32,123	25,145	-	1,193	-	-	n/a
Insurance Recoveries	297,265	7,500	-	-	-	-	n/a
VPA Pier Grant	-	240,711	112,500	112,500	-	(112,500)	-100.0%
Isabel Special Appropriation	-	204,693	-	-	-	-	n/a
ACOE Reimbursement Dredge	108,924	-	-	-	-	-	n/a
Note Proceeds	-	349,640	-	-	-	-	n/a
Bond Proceeds	-	-	14,500,000	14,500,000	2,500,000	(12,000,000)	-82.8%
Interest – Bond Proceeds	-	-	-	94,989	-	-	n/a
Miscellaneous	1,000	560	-	-	-	-	n/a
CF Note Proceeds	-	349,846	-	-	-	-	n/a
CF VMRC Boat Ramp Grant	-	413,970	-	-	-	-	n/a
Reappropriation of Fund Bal	-	-	705,872	705,872	-	(705,872)	-100.0%
Transfer from General Fund	456,380	444,750	183,306	183,306	153,000	(30,306)	-16.5%
TOTAL REVENUE	\$ 1,243,464	\$ 2,400,576	\$ 15,868,678	\$ 15,964,860	\$ 3,023,000	\$ (12,845,678)	-80.9%

Revenue Explanations

State Highway Funds: Each year the City allocates a portion of the funding it receives from the Virginia Department of Transportation (VDOT) to the CIP for the annual paving program ("Street and Drainage" project). The City is projected to receive a total of \$997,000 from the State Highway Maintenance Fund, \$370,000 is recorded in the Capital Projects Fund, and the remaining \$655,000 is recorded in the General Fund. This is a slight increase over the FY 2006 revenue; however, the exact amount for FY 2007 will not be known until August 2006.

Bond Proceeds: The City issued Bonds in FY 2006 in the amount of \$14,500,000 for the replacement of the Elementary School and Fire Station #1. See the Expenditure Summary for more detailed information. In January 2007, the City plans on issuing the remaining \$2.5 million of bonds to finalize the total cost for the construction of the two buildings.

Transfer from General Fund: General Fund transfers cover most of the cost of projects that are not funded with grant monies or debt issuances. The transfer will fund the following City projects: Vehicles and Capital Equipment purchases, Financial hardware replacement and Building and Facilities repairs.

CAPITAL PROJECTS FUND - EXPENDITURES

Expenditures Summary

Project	Estimated FY 2005 Unexpended	Estimated FY 2006 Unexpended	FY 2007 Adopted Budget	Total Years 1 - 3
	Year 3	Year 2	Year 1	
Street and Drainage	\$ -	\$ -	\$ 370,000	\$ 370,000
Wythe Creek Road South	11,242	-	-	11,242
Wythe Creek Road North	955	-	-	955
Fire Station #1 New Building	845,427	491,110	-	1,336,537
Fire Station #1 Content Replacement	7,500	-	-	7,500
Park Improvements	2,680	-	-	2,680
South Lawson Park	21,520	-	-	21,520
Playground Equipment	4,628	-	-	4,628
Messick Point Restrooms	-	112,500	-	112,500
PES Architectural or Design	610,556	-	-	610,556
PES Construction	-	12,085,000	2,500,000	14,585,000
Building and Facilities Repairs	2,226	17,666	14,000	33,892
Financial Hardware Replacement	-	-	45,000	45,000
Geographical Information System (GIS)	56,000	-	-	56,000
Topography Update	-	-	-	-
Horizontal & Vertical Reference Marks	3,420	-	-	3,420
School Bus Replacement	-	-	-	-
Vehicles & Capital Equipment	-	727	94,000	94,727
Totals	\$ 1,566,154	\$ 12,707,003	\$ 3,023,000	\$ 17,296,157

Expenditures Explanations

Funds are appropriated in the Capital Projects Fund for a period of three years. Unexpended funds at the end of Year 1 are rolled over into Year 2 and Year 2 funds are rolled into Year 3 funds. FY 2007 Proposed Expenditures are considered Year 1 projects. Thus, the funds from Year 2 are estimated unspent monies remaining from FY 2006; and the funds from Year 3 represent actual unspent monies left over from FY 2005. Any appropriation which is unspent after the third year must be reappropriated or else it lapses into the General Fund Unappropriated Fund Balance.

Major Fund Functions

- * Account for financial resources to be used for the acquisition or construction of major City or School capital facilities, land, infrastructure, and equipment, other than those financed by proprietary funds.
- * Incorporate into the annual plan those items of a general governmental nature planned for in the Capital Improvements Plan.
- * Include parks and recreation improvements, transportation projects, and capital feasibility studies.

FY 2007 Projects

Street and Drainage: Projects are funded through VDOT State Highway Funds for maintenance, resurfacing, improvements, and drainage projects. Projects are at the City's discretion based on need of improvements.

Wythe Creek Road South: This is the City's local match on the preliminary engineering cost to design the widening of the road from Oxford Run area to the Poquoson/Hampton boundary line. This is approximately 1-1/2 miles of roadway. Construction would widen the road to 5 lanes plus have sidewalks and streetscape. This project is scheduled to start in FY 2009 and is estimated to cost the State \$12,000,000 and the City \$240,000.

Fire Station #1 New Building: The original project was to renovate Fire Station #1; however, due to Hurricane Isabel in September 2003, which caused extensive flood damage, it is no longer safe for use. The new Fire Station #1 would have the same facilities as the former building in addition to a community room and space for Fire Administration personnel. Debt service on the 20-year note issuance would commence in FY 2007 at an estimated amount between \$67,550 and \$132,595 during the term of the bond.

Fire Station #1 Content Replacement: This is to provide replacement contents that were damaged by Hurricane Isabel in September 2003. The City received \$52,272 from the Federal Emergency Management Association (FEMA) to assist with the replacement of the damaged contents in Fire Station #1.

Park Improvements: Leftover funds from Year 2 and Year 3 that addressed several park improvements for South Lawson Park and Messick Point Park.

South Lawson Park: The City purchased land for several park improvements at South Lawson Park which included additional fill dirt, ditching, topsoil, landscaping and seeding of the park; however, the project was not complete in September 2003 when Hurricane Isabel hit the City. It is necessary to complete this park renovation to prevent future erosion on the land. Year 3 leftover funds total \$21,520.

Playground Equipment: This project is to install replacement playground equipment in Municipal Park or South Lawson Park.

Messick Point Restrooms: VMRC provided 77.51% of the funding of the project. This is the final phase of the Messick Point Boat Ramp and Parking project that is completed.

PES Architectural, Design and Construction: The current Poquoson Elementary School (PES) was built in 1952 and has been identified in the CIP for replacement. The current building contains many serious building deficiencies and fails to meet current educational program needs. Of additional concern are safety and accessibility issues that arise from this building, which has been grandfathered into older building code standards. The building needs new flooring, windows, HVAC system, wiring, and plumbing. The kitchen area needs to be updated and increased in size. There is not enough space for administration and the physical education class is in a large room since there is no gym. Several modular units are in place since there are not enough classrooms. The current PES houses 3rd through 5th grades, but the School Board desires that the future building house 3rd through 6th grades. The School Board hired an architect to compare a new building versus renovation of the existing structure and has chosen a new building as the preferred option.

City Council approved the project cost of \$15,500,000, with the \$500,000 in FY 2006 for the initial site plan and design, geotechnical survey, and other upfront expenses. The \$15.5 million dollars is for a complete turn-key school, that includes construction, design and furnishings for all classrooms and office space. The City issued bonds in FY 2006 to pay for the new Elementary School and Fire Station #1 Building (see detailed information above for Fire Station). FY 2007 Debt Service includes \$691,775 in principal and interest of which 88% is allocated as School debt. This is shown in the Debt Service Fund. The Schools feel that they will achieve \$25,000 in decreased operating expenses annually due to a more efficient building and restructuring of operations. The future effect on the operating budget is \$938,000 annually or currently a 6 cent tax increase. In FY 2007, additional debt in the amount of \$2.5 million dollars will be issued to bring the total to \$15.5 million dollars for the PES replacement.

Building and Facilities Repairs: The City has various repairs and maintenance that need to be performed regularly. Items wear out, get damaged and need repair.

Financial Hardware Replacement: The City uses an AS400 computer hardware system to run Bright & Associates (BAI) software. The AS400 was purchased in September 1999 and it has become a top priority to replace this system before problems arise. This system houses all of the financial accounting records for the City and expected to cost \$45,000.

Geographical Information System (GIS): This is for a right-of-way and mapping of the City's streets, utilities, shorelines, Chesapeake Bay Preservation Areas, etc. This computer database is tied directly to maps of the City using aerial photographs to digitally map the roadways, etc. and is used by employees to answer citizen questions. Total cost of the project is expected to be \$230,000 which will be implemented over a 3-year period. The complexity of this system could require an additional employee to operate it. The future effect on the operating budget is \$50,000 annually. In FY 2005, Year 3, \$56,000 is leftover; and in FY 2007, Year 1, \$98,000 is proposed.

Horizontal & Vertical Reference Marks: This Year 3 project includes the installation and second-order referencing of 60 permanent horizontal and vertical reference marks throughout the City. The current reference marks system is comprised of 22 vertical reference marks. The marks range from a 1942 geodetic disk in concrete to unreliable spikes in telephone poles. Only 15 marks are considered reliable by surveyor standards of general practice. This project does not affect future operating costs.

Vehicles and Capital Equipment: Fund \$94,000 for the purchase of a dump truck, asphalt hauler, pick-up truck for Public Works. Replacing equipment regularly should help reduce operating repair costs on vehicles.

CAPITAL PROJECTS FUND - CIP PLAN SUMMARY

FY 2007 Capital Projects Projects in Budget

Capital Improvement Summary FY 2007 -- FY 2011

Project	FY 2007 Proposed Budget	FY 2007 Adopted Budget	FY 2007 Adopted Project	FY 2008 Proposed Project	FY 2009 Proposed Project	FY 2010 Proposed Project	FY 2011 Proposed Project
School Projects							
PPS Playground Equipment	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -
PES School Construction	2,500,000	2,500,000	-	-	-	-	-
Tennis Court Resurfacing and Fence	-	-	71,000	-	-	-	-
School Bus Replacement	160,000	-	128,000	128,000	64,000	130,400	130,400
Total School Projects	\$ 2,660,000	\$ 2,500,000	\$ 299,000	\$ 128,000	\$ 64,000	\$ 130,400	\$ 130,400
Transportation and Drainage Projects							
Street and Drainage	\$ 370,000	\$ 370,000	\$ -	\$ -	\$ -	\$ -	\$ -
Wythe Creek Road South	-	-	803,000	1,668,700	6,944,000	-	-
Neighborhood Drainage Projects	-	-	315,000	216,300	-	-	-
Poq Ave/Little Florida Rd Realignment	-	-	40,000	126,000	334,000	-	-
ROW Acquisition, Bikepaths & Sidewalks	-	-	45,000	45,000	100,000	100,000	100,000
Total Transportation and Drainage Projects	\$ 370,000	\$ 370,000	\$ 1,203,000	\$ 2,056,000	\$ 7,378,000	\$ 100,000	\$ 100,000
Public Safety: Fire and Police Projects							
Fire Engine Replacement	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ -	\$ -
Ambulance Replacement	-	-	100,000	50,000	-	-	-
Total Public Safety: Fire and Police Projects	\$ -	\$ -	\$ 100,000	\$ 50,000	\$ -	\$ 400,000	\$ -
Public Works Projects							
Vehicles & Capital Equipment	\$ 98,000	\$ 94,000	\$ 98,000	\$ 61,000	\$ 200,000	\$ 100,000	\$ 190,000
Public Works Compound	-	-	-	-	2,238,000	-	-
Total Public Works Projects	\$ 98,000	\$ 94,000	\$ 98,000	\$ 61,000	\$ 2,438,000	\$ 100,000	\$ 190,000
Parks & Recreation Projects							
Municipal Park Pavilion	\$ -	\$ -	\$ -	\$ -	\$ 38,000	\$ -	\$ -
Risograph Replacement	-	-	-	27,000	-	-	-
Recreation Center	-	-	-	60,600	1,411,600	-	-
Messick Point Restrooms	-	-	-	-	-	-	-
West Side Pocket Park	-	-	30,000	29,000	-	-	-
Messick Point Breakwater	-	-	-	335,000	-	-	-
South Lawson Park Expansion	-	-	800,000	900,000	-	-	-
Municipal Park Ballfield Lighting	-	-	5,000	75,000	-	-	-
Building and Facilities Repairs	14,000	14,000	-	-	-	-	-
Tennis Court Resurfacing and Fence	-	-	47,200	-	-	-	-
Municipal Park Playground Equipment	-	-	-	28,000	-	-	-
Total Parks & Recreation Projects	\$ 14,000	\$ 14,000	\$ 882,200	\$ 1,454,600	\$ 1,449,600	\$ -	\$ -
Miscellaneous Projects							
Geographical Information System (GIS)	\$ 98,000	\$ -	\$ 98,000	\$ 102,000	\$ -	\$ -	\$ -
Financial Hardware Replacement	60,000	45,000	60,000	-	-	-	-
Topography Update	30,000	-	30,000	30,000	-	-	-
Total Miscellaneous Projects	\$ 188,000	\$ 45,000	\$ 188,000	\$ 132,000	\$ -	\$ -	\$ -
Totals	\$ 3,330,000	\$ 3,023,000	\$ 2,770,200	\$ 3,881,600	\$ 11,329,600	\$ 730,400	\$ 420,400

Expenditures Explanations

The FY 2007 Adopted Capital Fund Projects that are funded in the FY 2007 Annual Financial Plan are shown in column 2. The total of the projects is \$3,023,000 of which \$153,000 is from a Transfer from the General Fund and \$2,500,000 is from debt proceeds. The projects shown on the right are in the adopted Capital Improvements Plan (CIP) for FY 2007 through FY 2011. This schedule shows the General Fund Projects only. The adopted Sewer Fund projects in the FY 2007 through FY 2011 CIP are not shown here.

SPECIAL REVENUE FUND - SUMMARY

Special Revenue Fund Description

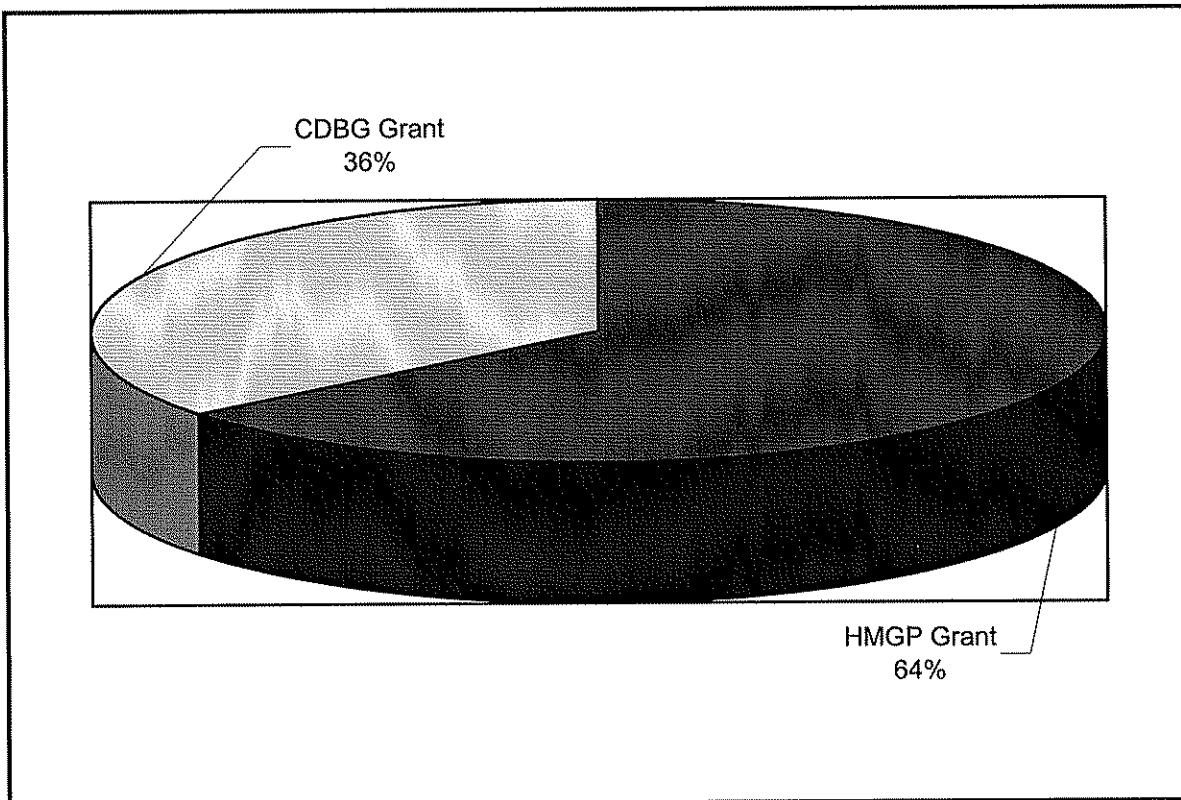
The Special Revenue Fund accounts for revenues and expenditures related to state and federal grants for community development and public safety. The City received two Federal Hazard Mitigation Grant Program (HMGP) grants for the purpose of raising houses to flood elevation level so they will not flood in the future. The grant is a shared grant with 75% funding coming from the Federal Government, 20% coming from the State and 5% coming from local residents that qualify for the grant. The City also received two Community Development Block (CDBG) grants to elevate homes, and to reimburse citizens for their repair costs. The Homeland Security Grant was used to purchase radio equipment for the Public Safety departments and to install a generator at City Hall.

Special Revenue Fund

Beginning Fund Balance 6/30/2004	\$	-
Actual FY 2005 Revenues	\$ 101,286	
Actual FY 2005 Expenditures	<u>(49,231)</u>	52,055
Actual Fund Balance - 6/30/2005		\$ 52,055
Estimated FY 2006 Revenues	\$ 1,783,483	
Estimated FY 2006 Expenditures	<u>1,835,538</u>	(52,055)
Projected Fund Balance - 6/30/2006		\$ -
Estimated FY 2007 Revenues	\$ 1,019,250	
Estimated FY 2007 Expenditures	<u>1,019,250</u>	
Projected Fund Balance - 6/30/2007		\$ -

SPECIAL REVENUE FUND - SUMMARY

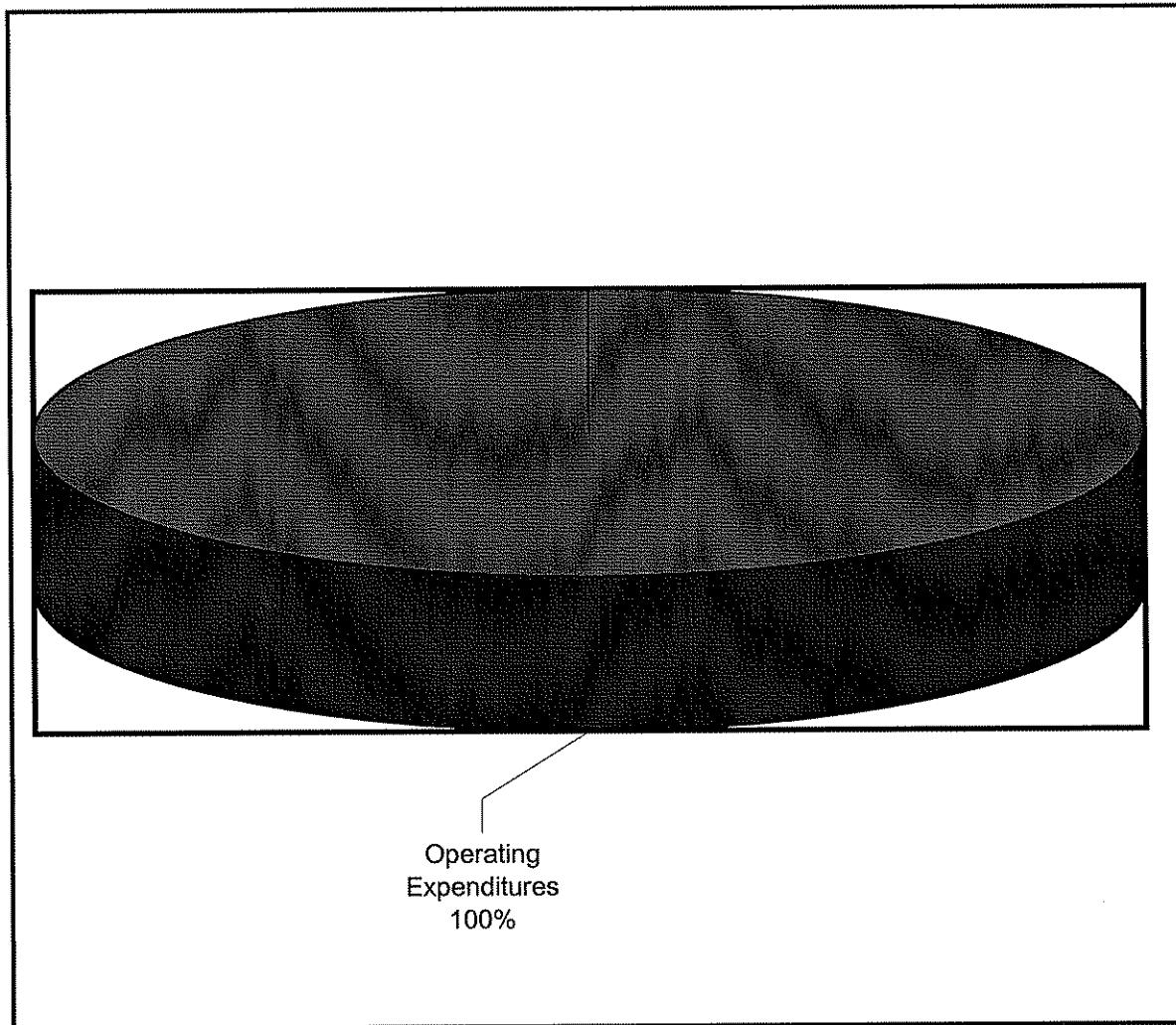
Special Revenue Fund Revenue



<u>Special Revenue Fund Revenue</u>	<u>Estimated</u>	
	<u>FY 2006</u>	<u>FY 2007</u>
Homeland Security Grant	\$ 58,483	\$ -
HMGP Grant	1,025,000	655,650
CDBG Grant	<u>700,000</u>	<u>363,600</u>
TOTAL	<u>\$ 1,783,483</u>	<u>\$ 1,019,250</u>

SPECIAL REVENUE FUND - SUMMARY

Special Revenue Fund Expenditures



<u>Special Revenue Fund Expenditures</u>	<u>Estimated FY 2006</u>	<u>FY 2007</u>
Operating Expenditures	\$ 1,681,550	\$ 1,019,250
Capital Outlay	153,988	"
TOTAL	<u>\$ 1,835,538</u>	<u>\$ 1,019,250</u>

SPECIAL REVENUE FUND--REVENUE

Special Revenue Fund Revenue

Account Title	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2006 Estimated Revenue	FY 2007 Adopted Revenue	\$ Change From 2006 Budget	% Change From 2006 Budget
HMGP Local Match	\$ -	\$ -	\$ 51,250	\$ 51,250	\$ 32,780	\$ (18,470)	-36.0%
HMGP State	-	-	205,000	205,000	134,730	(70,270)	-34.3%
HMGP Federal	-	-	768,750	768,750	488,140	(280,610)	-36.5%
CDBG	-	-	700,000	700,000	363,600	(336,400)	-48.1%
Homeland Security	-	101,286	58,483	58,483	-	(58,483)	-100.0%
TOTAL REVENUE	\$ -	\$ 101,286	\$ 1,783,483	\$ 1,783,483	\$ 1,019,250	\$ (764,233)	-42.9%

Revenue Explanations

HMGP: Hazard Mitigation Grant Program for the purpose of elevating homes to prevent future flooding. This grant is a 75% Federal share, 20% State share, and 5% local homeowner share. The City will administer the grant for the homeowners. Thirty-two homes have qualified for the grant funding.

CDBG: Community Development Block Grant to elevate homes damaged by Hurricane Isabel, and to reimburse citizens for their repair costs. The City is hopeful that these grant funds will help citizens that had more than 50% damage to their homes from the storm surge raise their homes to an elevation of one foot above the required flood elevation. Twenty-nine homes have qualified for the grant funding.

Homeland Security Grant -- Federal: In FY 2005 and FY 2006, the City received a grant from the Federal government for the purpose of purchasing radio equipment for the public safety departments and to fund the installation of a generator at City Hall.

SPECIAL REVENUE FUND - EXPENDITURES

Expenditures Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ -	\$ -	\$ -	\$ -	n/a	n/a
Operating Expenses	-	5,189	1,725,000	1,019,250	(705,750)	-40.9%
Capital Outlay	-	44,042	110,538	-	(110,538)	-100.0%
Totals	\$ -	\$ 49,231	\$ 1,835,538	\$ 1,019,250	\$ (816,288)	-44.5%

Personnel Summary

n/a

Goals and Objectives

- * Elevate homes above the required flood elevation to minimize future flood damage.
- * Assist homeowners in the grant application and review process.
- * Submit reimbursement requests to granting agencies in a timely manner.
- * Monitor elevation projects to ensure homes are elevated in accordance with guidelines.
- * Complete elevation projects in a timely manner and on schedule within the grants' completion period.
- * Apply for additional grants when they may become available.

Major Fund Functions

- * To account for grant funds which are legally restricted for specific purposes.
- * Provide information on the sources and applications of restricted resources.

Performance Measures

	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
Homes Eligible for Grant Funding	0	0	36	25
Homes Elevated/Citizens Reimbursed	0	0	15	46
Special Purpose Grants Received	0	1	2	2

Significant Budget Items

- * The HMGP grant is for elevating 32 homes. The grant has a local match requirement of 5%.

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SOLID WASTE FUND - SUMMARY

Solid Waste Fund Description

The Solid Waste Fund is an Enterprise Fund which accounts for the collection, disposal, and recycling of household and municipal solid waste, residential hazardous materials, bulky items, and landscaping debris.

During the budget adoption process for FY 2007, the Solid Waste program was completely changed from the pay-by-the-bag program that was used for 13 years. Trash collection and disposal, recycling of residential solid waste, and hazardous material collections is now 100% supported by user fees. Residents will be billed a monthly fee of \$10 per address. The City will also continue to charge residents for landscape debris and bulky item pickup.

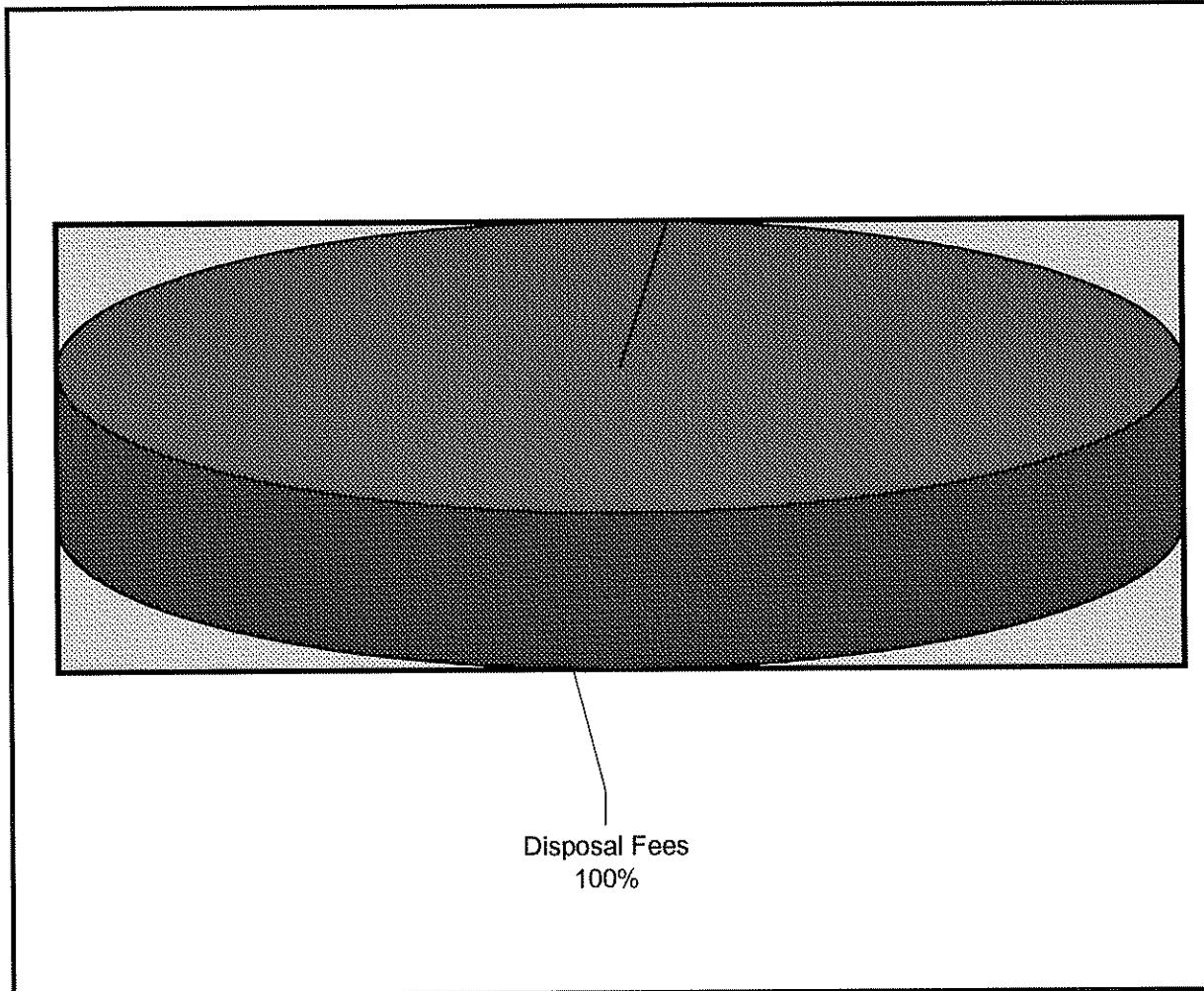
In previous fiscal years a Transfer from the General Fund supported 90% of the cost of bulky items and landscaping debris had been made.

Solid Waste Projection of Unrestricted Net Assets

Beginning Unrestricted Net Assets - 7/1/2003	\$ 499,343
Actual FY 2004 Revenues	\$ 532,384
Actual FY 2004 Expenses	<u>(446,173)</u>
Unrestricted Net Assets - 6/30/2004	\$ 585,554
Actual FY 2005 Revenues	\$ 522,552
Actual FY 2005 Expenses	<u>(475,269)</u>
Unrestricted Net Assets - 6/30/2005	\$ 632,837
Estimated FY 2006 Revenues	\$ 564,600
Estimated FY 2006 Expenses	<u>(744,370)</u>
Projected Unrestricted Net Assets - 6/30/2006	\$ 453,067
Estimated FY 2007 Revenues	\$ 544,600
Estimated FY 2007 Expenses	<u>(544,600)</u>
Projected Unrestricted Net Assets - 6/30/2007	\$ 453,067

SOLID WASTE FUND - SUMMARY

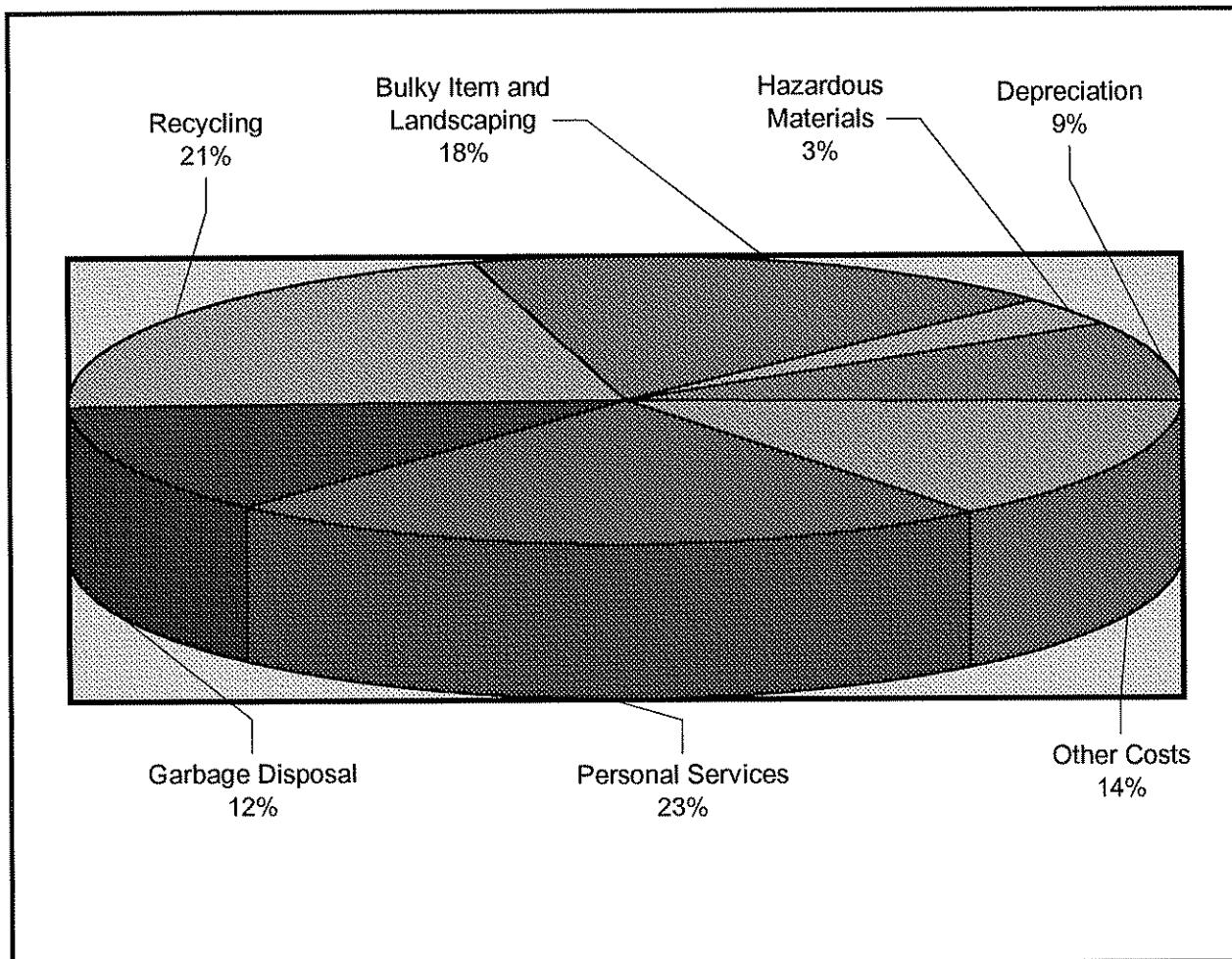
Solid Waste Revenue



<u>Solid Waste Revenue</u>	<u>Estimated</u>	
	<u>FY 2006</u>	<u>FY 2007</u>
Bag Fees	\$ 315,000	\$ -
Disposal Fees	49,600	544,600
Transfer from General Fund	200,000	-
Use of Unrestricted Net Assets	179,770	-
TOTAL	<u>\$ 744,370</u>	<u>\$ 544,600</u>

SOLID WASTE FUND - SUMMARY

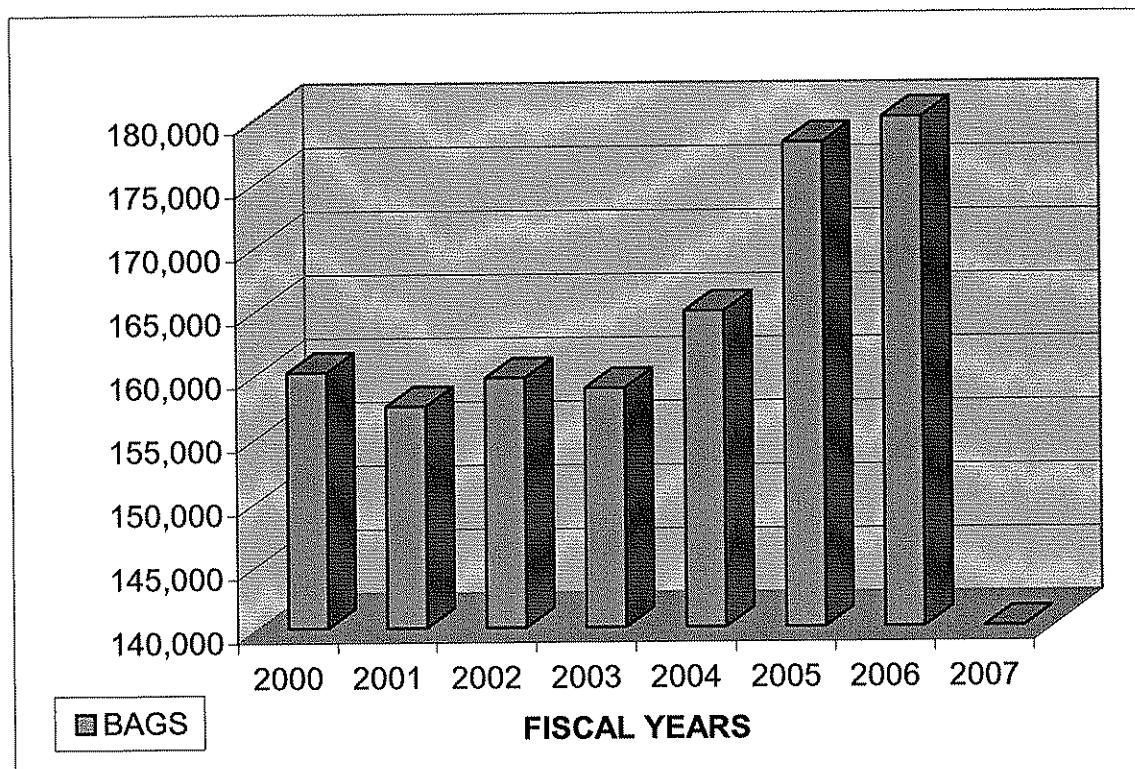
Solid Waste Expenses



<u>Solid Waste Expenses</u>	<u>Estimated</u>	
	<u>FY 2006</u>	<u>FY 2007</u>
Personal Services	\$ 104,236	\$ 122,760
Garbage Disposal	68,000	68,000
Recycling	109,250	115,100
Bulky Item and Landscaping	97,742	95,770
Hazardous Materials	19,500	16,740
Depreciation	50,445	48,465
Other Costs	79,427	77,765
Capital Outlay	215,770	-
TOTAL	\$ 744,370	\$ 544,600

SOLID WASTE FUND - SUMMARY

History of Number of Green Bags Sold



NUMBER OF BAGS SOLD

YEAR	BAGS
2000	160,087
2001	157,371
2002	159,600
2003	158,770
2004	164,794
2005	178,050
2006	180,000 estimated
2007	0

SOLID WASTE FUND - REVENUE

Solid Waste Revenue

Account Title	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2006 Estimated Revenue	FY 2007 Adopted Revenue	\$ Change From 2006 Budget	% Change From 2006 Budget
Bag Fees	\$ 303,713	\$ 311,588	\$ 315,000	\$ 315,000	\$ -	\$ (315,000)	-100.0%
Disposal Fees	-	-	-	-	534,000	534,000	n/a
Landscaping Debris Charge	7,404	12,468	10,000	10,000	10,000	-	0.0%
Bulky Item Charge	60	810	100	100	500	400	400.0%
Miscellaneous	13,907	486	3,500	3,500	100	(3,400)	-97.1%
Sale of Equipment	9,300	-	36,000	36,000	-	(36,000)	-100.0%
Transfer from General Fund	198,000	197,200	200,000	200,000	-	(200,000)	-100.0%
Use of Unrestricted Net Assets	-	-	179,770	179,770	-	(179,770)	-100.0%
TOTAL REVENUE & TRANSFERS IN	\$ 532,384	\$ 522,552	\$ 744,370	\$ 744,370	\$ 544,600	\$ (199,770)	-26.8%

Revenue Explanations

Bag Fees: The City used a pay-by-the-bag program that paid for the cost of collection and disposal of solid waste. For FY 2007, the green bag fee was eliminated due to the ending of the pay-by-the-bag program. The City sold bags to various retailers throughout the City who sold the bags to residents in packages of 5 at a price of \$8.75 per package (\$1.75 per bag). This fee was the same for the previous 3 fiscal years. Residents who are over 65 and/or are permanently disabled who meet certain income requirements were eligible for free green bags.

Disposal Fees: During the budget adoption process, City Council restructured the Solid Waste Program to eliminate the green bag fee and institute a monthly disposal fee of \$10 per eligible address. This fee will cover all costs associated with disposal of all refuse in Poquoson. VPPSA collects the recycling bins on a 4 day schedule. There are several businesses that recycle and were charged the VPPSA monthly fee in FY 2004 - FY 2006, this revenue is reflected in miscellaneous revenue category.

Landscaping Debris Charges: The City provides curbside pickup service for woody waste at a fee of \$12 per pickup. The fee is intended to cover a small portion of the labor cost incurred in picking up landscaping debris, but the majority of cost incurred in landscaping debris collection is paid from the monthly fees. The City is estimated to pay the Virginia Peninsulas Public Service Authority (VPPSA) \$59,770 in FY 2007. Residents may also take their landscaping debris to the VPPSA regional composting facility located at the York County Landfill at no charge to the resident.

Bulky Item Charge: Bulky item pickup is free to residents for the first 4 pickups per calendar year and \$30 per pickup for more than 4 pickups. The fee is intended to limit the number of bulky item pickups in a year, not to cover the cost of the operation.

Miscellaneous: This account includes non-routine revenues which are minimal.

Sale of Equipment: The City uses an on-line service called ESurplus Auction to dispose of older equipment. Revenue generated from the sale is used to help fund newer equipment.

Transfer from the General Fund: General tax dollars cover most of the cost of the bulky item and landscaping collection and disposal.

Use of Unrestricted Net Assets: Excess accumulated earnings was used to purchase a debris and garbage truck in FY 2006.

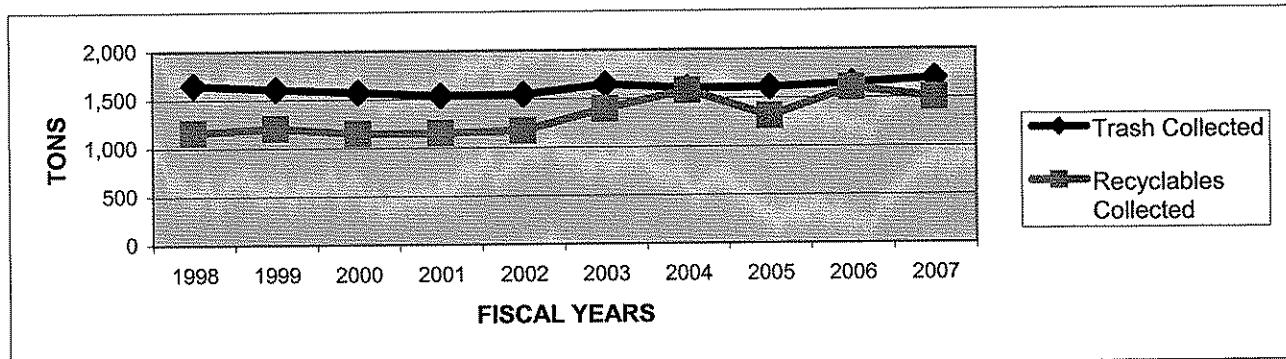
SOLID WASTE FUND - GARBAGE AND RECYCLING

Expenditures Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ 34,273	\$ 36,657	\$ 38,079	\$ 44,430	\$ 6,351	16.7%
Operating Expenses	209,858	220,452	234,251	240,165	5,914	2.5%
Capital Outlay	25,213	14,639	118,795	18,620	(100,175)	-84.3%
Totals	\$ 269,344	\$ 271,748	\$ 391,125	\$ 303,215	\$ (87,910)	-22.5%

Personnel Summary

	FY 2004 Authorized	FY 2005 Authorized	FY 2006 Authorized	FY 2007 Authorized
Equipment Operator 1	1	1	1	1
Totals	1	1	1	1



Goals and Objectives

- * Continue residential garbage collection service to the citizens of Poquoson using one employee, contracted labor and one collection vehicle.
- * Continue collecting all City trash routes in four eight-hour days per week.
- * Work toward having citizens living on private lanes bring their trash out to the public street for pick up as they do with their recycling bins.
- * Continue to provide curbside recycling via VPPSA to all City residents.

SOLID WASTE FUND - GARBAGE AND RECYCLING

Major Departmental Functions

- * Furnish a quality solid waste disposal service to the citizens of Poquoson.
- * Collect and dispose of non-recyclable waste.
- * Oversee the curbside recycling program which is administered by VPPSA.

Performance Measures

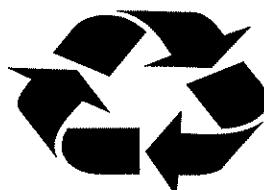
	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
Number of Trash Bags Collected	165,580	163,400	165,000	0
Trash Collected (Tons)	1,604	1,610	1,650	1,700
Recyclables Collected by Contractor (Tons)	1,578	1,312	1,601	1,500

Significant Budget Items

- * Increase in personal services is due to a merit increase, an increase in health insurance and VRS contribution rate and group life insurance.
- * Garbage is disposed of at the Hampton Steam Plant, with an estimated cost of \$26.00 per ton in FY 2007.
- * Curbside recycling cost is \$1.87 per household each month in FY 2007.
- * Hazardous material disposal is contracted through VPPSA. In FY 2007, the cost is expected to be \$16,740, a decrease of \$2,760 from FY 2006.
- * The department started using contracted labor for trash pickup in FY 2004 to reduce injuries to City employees. A study performed by the Virginia Municipal League (VML) concluded that contracted labor would be the best option for this type of trash pickup performed by the City.
- * Eliminate the pay-as-you-throw green bag fee of \$1.75 per bag.

Program Accomplishments

- * This is the thirteenth year that the City has collected residential household waste rather than contract it out.
- * Contracted labor is used to assist with trash collection to eliminate reduce City employee injuries.



SOLID WASTE FUND - BULKY ITEM AND LANDSCAPING

Expenditures Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ 44,270	\$ 48,519	\$ 74,259	\$ 78,330	\$ 4,071	5.5%
Operating Expenses	115,648	137,002	131,566	133,210	1,644	1.2%
Capital Outlay	16,911	18,000	147,420	29,845	(117,575)	-79.8%
Totals	\$ 176,829	\$ 203,521	\$ 353,245	\$ 241,385	\$ (111,860)	-31.7%

Personnel Summary

	FY 2004 Authorized	FY 2005 Authorized	FY 2006 Authorized	FY 2007 Authorized
Equipment Operator II	1	1	1	1
Maintenance Worker I	1	1	1	1
Totals	2	2	2	2

Goals and Objectives

- * Furnish bulky item and landscaping debris pickup for the citizens of Poquoson.
- * Collect waste oil and batteries for recycling.
- * Assist in the recycling of landscaping debris to produce mulch and compost.
- * Collect metal items for recycling to help reduce disposal costs.
- * Pick up bulk items and landscaping debris within 7 days after it is placed in the City's right-of-way when a request from the property owner has been received.

SOLID WASTE FUND - BULKY ITEM AND LANDSCAPING

Major Departmental Functions

- * To continue to furnish quality service to the citizens of Poquoson.
- * To continue to complete all bulky item and landscaping debris pickup within one week.
- * Educate citizens about the availability and use of the regional composting facility in York County.
- * Educate citizens about the need to call in for debris pickups and to not place their debris piles in the gutters or ditches for pickup.

Performance Measures

	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
Waste Oil Collected for Recycling (gallons)	2,550	3,490	3,500	3,600
Bulky Item Debris Collected for Disposal*	1,820	1,820	1,246	4,000
Landscape Debris Collected for Recycling*	2,139	2,139	2,860	3,200
Metal Items Collected for Recycling*	296	296	200	220
Used Tires Collected for Recycling	227	227	200	200

* Amounts given in tons

Significant Budget Items

- * Increase in personal services is due to a merit increase, an increase in health insurance and VRS contribution rate and group life insurance.
- * The difference between FY 2005 and FY 2006 personal services is due to the shortage of one employee for 9 months.
- * Decrease in capital outlay is due to no major equipment purchases.

Program Accomplishments

- * Notified citizens with door hangers of the need to call in for a debris pickup if a pile had been in front of their home for more than a week.
- * Provided good and dependable bulky item and landscaping service. Received compliments on how clean the City employees leave the bulky item area after a pickup.

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UTILITIES FUND - SUMMARY

Utilities Fund Description

The Utilities Fund is operated as an Enterprise Fund which is used to account for sewer operations that function as though they were a private-sector entity. An Enterprise Fund is expected to cover its costs through user charges. The Utilities Fund provides for the maintenance of sewer lines and pump stations, and the debt service incurred in having the sewer originally extended and renovated. The department provides 24 hour service for the 29 pump stations, 45 miles of gravity sewer lines and 10 miles of sewer force mains, installation of sewer taps, replacement or repair of broken or misaligned lines.

In FY 1998, the Council approved two loan applications totaling \$10,000,000 with the State Department of Environmental Quality to extend sewer to all remaining homes in Poquoson that are on public right-of-ways.

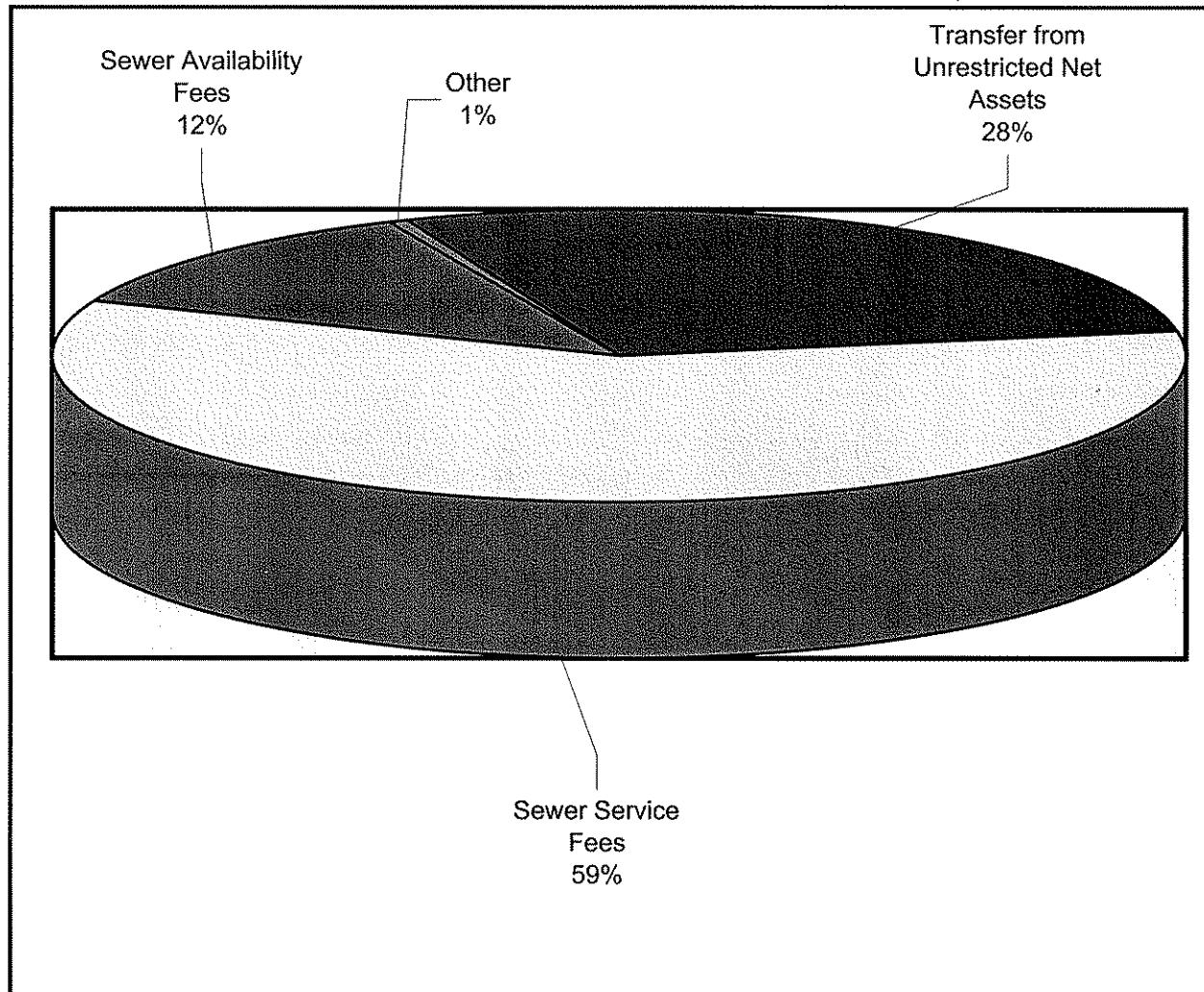
In FY 2004, the City completed the rehabilitation of 7 pump stations at an estimated cost of \$1,000,000.

Utilities Fund Projection of Unrestricted Net Assets

Beginning Unrestricted Net Assets - 7/1/2003		\$ 1,396,867
Actual FY 2004 Revenues	\$ 2,059,787	
Actual FY 2004 Expenses	(2,440,840)	(381,053)
Unrestricted Net Assets - 6/30/2004		\$ 1,015,814
Actual FY 2005 Revenues	\$ 2,693,412	
Actual FY 2005 Expenses	(2,382,693)	310,719
Unrestricted Net Assets - 6/30/2005		\$ 1,326,533
Estimated FY 2006 Revenues	\$ 2,462,150	
Estimated FY 2006 Expenses	(2,462,150)	-
Projected Unrestricted Net Assets - 6/30/2006		\$ 1,326,533
Estimated FY 2007 Revenues	\$ 2,452,390	
Estimated FY 2007 Expenses	(2,452,390)	-
Projected Unrestricted Net Assets - 6/30/2007		\$ 1,326,533

UTILITIES FUND - SUMMARY

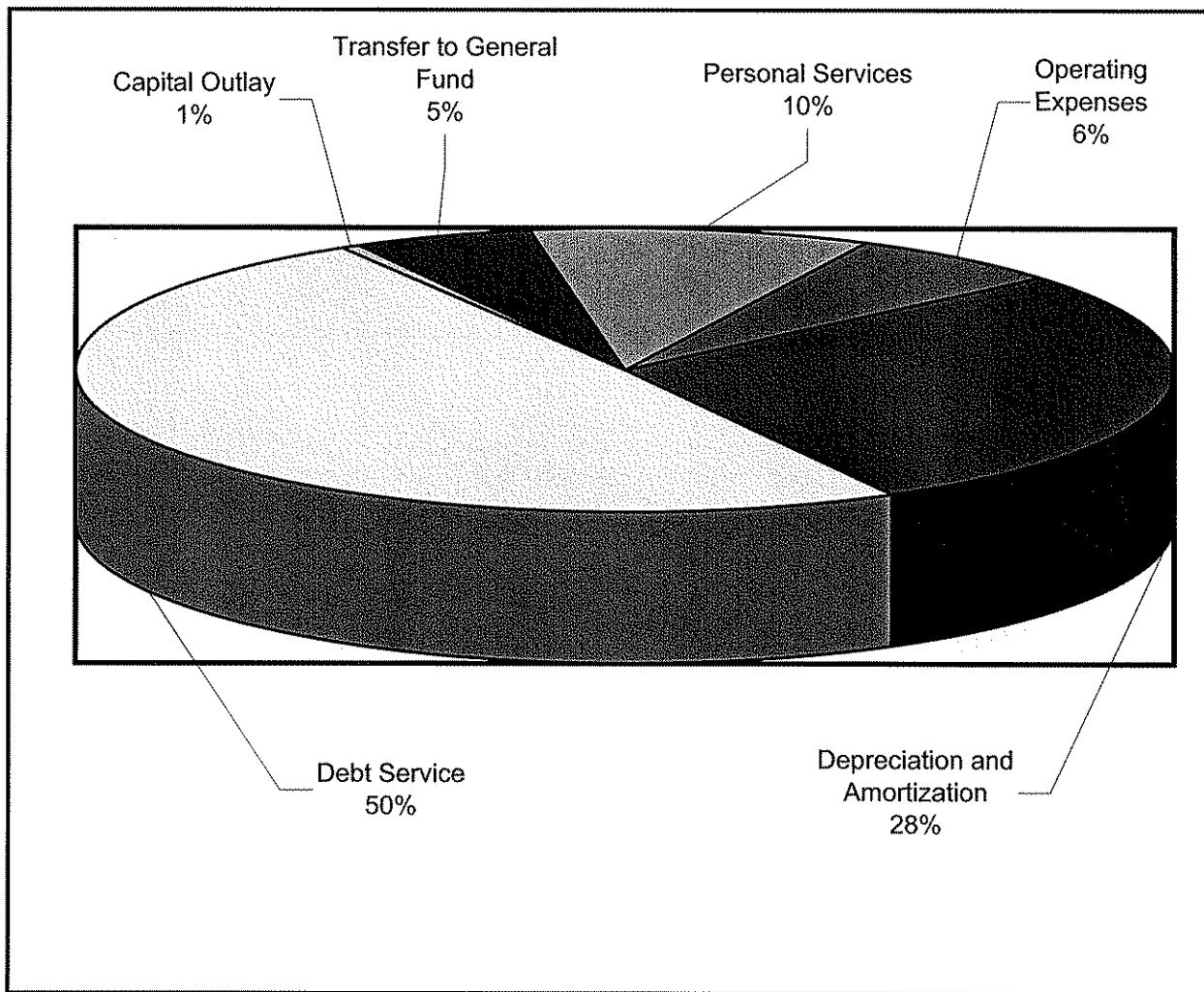
Utilities Fund Revenue



<u>Utilities Fund Revenue</u>	<u>Estimated FY 2006</u>	<u>FY 2007</u>
Sewer Service Fees	\$1,417,450	\$1,442,390
Sewer Availability Fees	300,000	300,000
Notes Receivable -- Principal and Interest	20,800	4,400
Other	25,500	12,558
Transfer from Unrestricted Net Assets	698,400	<u>693,042</u>
TOTAL	<u>\$2,462,150</u>	<u>\$2,452,390</u>

UTILITIES FUND - SUMMARY

Utilities Fund Expenditures



<u>Utilities Fund Expenditures</u>	<u>Estimated FY 2006</u>	<u>FY 2007</u>
Personal Services	\$224,993	\$244,100
Operating Expenses	152,018	157,335
Depreciation and Amortization	698,400	693,042
Debt Service	1,222,439	1,214,763
Capital Outlay	14,300	13,150
Transfer to General Fund	<u>150,000</u>	<u>130,000</u>
TOTAL	<u>\$2,462,150</u>	<u>\$2,452,390</u>

UTILITIES FUND - REVENUE

<u>Utilities Revenue</u>							\$		%	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2006 Estimated Revenue	FY 2007 Adopted Revenue	Change From 2006 Budget	Change From 2006 Budget			
Sewer Service Fees	\$ 1,215,955	\$ 1,271,098	\$ 1,417,450	\$ 1,417,450	\$ 1,442,390	\$ 24,940		1.8%		
Sewer Availability Fees	184,200	587,000	300,000	300,000	300,000	-		0.0%		
Notes Receivable - Principal	-	-	20,000	20,000	-	(20,000)		-100.0%		
Notes Receivable - Interest	14,806	3,101	800	800	400	(400)		-50.0%		
Notes Receivable - Penalties	2,142	1,190	100	100	1,000	900		900.0%		
Miscellaneous Revenue	4,545	441	400	400	400	-		0.0%		
Late Payment Fees	12,172	16,194	17,000	17,000	7,158	(9,842)		-57.9%		
Interest Income	7,594	3,213	8,000	8,000	8,000	-		0.0%		
Interest Income-Bonds	2,844	157	-	-	-	n/a		n/a		
Transfer-Unrestricted Net Assets	615,529	811,018	698,400	698,400	693,042	(5,358)		-0.8%		
TOTAL REVENUE & TRANSFERS IN	\$ 2,059,787	\$ 2,693,412	\$ 2,462,150	\$ 2,462,150	\$ 2,452,390	\$ (9,760)		-0.4%		

Revenue Explanations

Sewer Service Fees: Each household which is available to sewer is assessed a flat sewer service fee unless a waiver is granted by City Council. In FY 2007, the Sewer Service fee is \$50 bi-monthly. Reduced fees are offered to households who meet certain income requirements.

In FY 2007, there are an estimated 4,700 users of sewer for total revenues of \$1,410,000. It is also estimated that 50 new homes will connect to sewer and pay bi-monthly fees for 1/2 of the year totaling \$7,500 in additional revenue.

Commercial users are charged the flat sewer service fee plus a fee based on water consumption. In FY 2007, the commercial fee is \$1.25 for every 100 cubic feet of water consumed. It is estimated that \$40,740 in commercial water consumption fees for FY 2007 will be collected.

The Sewer Ordinance has a sliding scale based on income and financial worth that is used to determine the reduced fees to be charged. The scale changed during FY 2006 to mirror the Real Estate Tax Exemption Program. This change makes it easier for qualifying residents because only one application has to be completed for both programs. Over \$12,000 of sewer fees is waived due to the scale. Reduced fees are projected to bring in less than \$1,000.

Sliding Scale Sewer Service Fees:

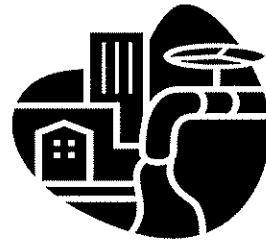
	Bi-Monthly Adopted FY 2006 Fees	Bi-Monthly Adopted FY 2007 Fees	Projected Number of Households
Combined Income			
\$21,000 or less	\$0	\$0	34
21,001 - 25,000	12.50	12.50	7
25,001 - 30,000	25.00	25.00	3
30,001 - 35,000	37.50	37.50	0
over 35,000	50.00	50.00	4,700
			4,744

UTILITIES FUND - REVENUE

Sewer Availability Fees: The sewer availability fee for a vacant lot is \$6,000. For FY 2007, it is estimated that 50 new properties will generate \$300,000.

The Sewer Availability Fee is as follows:

Water Meter Size (inches)	<u>Availability Fee</u>
5/8	\$6,000
3/4	6,600
1	7,200
1 1/2	7,800
2	8,400
3	9,000
4	10,500
6	14,500



Notes Receivable - Interest: The interest rate of 7% charged on notes receivable to homeowners that choose to pay the sewer availability fee on an installment basis.

Miscellaneous Revenue: This account includes \$5 sewer tokens for the sewage pump out facility on a City pier, repair revenue for sewer clean outs available to plumbers, and other unusual non-routine transactions.

Late Payment Fees: Represents \$5 fee bi-monthly plus 1% interest per month on unpaid bi-monthly sewer service fees for homeowners and commercial accounts.

Interest Income: Includes interest earned on non-restricted investments.

Interest Income-Bonds: Interest revenue from bonds was interest on bond proceeds for sewer pump station rehabilitation. These proceeds were spent in FY 2004.

Transfer from Unrestricted Net Assets: The transfer from retained earnings is the planned drawdown of excess reserves. The Utilities Fund budget includes items affecting the inflow and outflow of cash and non-cash items such as depreciation and amortization. The budgeted use of retained earnings in the Utilities Fund equals non-cash depreciation and amortization. This amount is estimated. Actual use of retained earnings is slightly different than budgeted use of retained earnings since Generally Accepted Accounting Principles (GAAP) requires principal payments on notes receivable to be recorded as a reduction in an asset rather than revenue, and debt principal payments are recorded as a reduction in a liability rather than an expenditure.

UTILITIES FUND - EXPENDITURES

Expenditures Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ 168,291	\$ 174,863	\$ 224,993	\$ 244,100	\$ 19,107	8.5%
Operating Expenses	148,552	147,453	152,018	157,335	5,317	3.5%
Depreciation & Amortization	696,259	659,195	698,400	693,042	(5,358)	-0.8%
Debt Service	1,243,256	1,218,963	1,222,439	1,214,763	(7,676)	-0.6%
Transfer to General Fund	151,800	153,000	150,000	130,000	(20,000)	-13.3%
Capital Outlay*	32,682	29,219	14,300	13,150	(1,150)	-8.0%
Totals	\$ 2,440,840	\$ 2,382,693	\$ 2,462,150	\$ 2,452,390	\$ (9,760)	-0.4%

*Capital Outlay does not include larger capital expenditures paid for out of bond issuances.

Personnel Summary

	FY 2004 Authorized	FY 2005 Authorized	FY 2006 Authorized	FY 2007 Authorized
Superintendent of Utilities	0	0	1	1
Utilities Supervisor	1	1	1	1
Utilities Technician	2	2	2	2
Utilities Helper	0.5	1	0	0
Totals	3.5	4	4	4

Goals and Objectives

- * Maintain current level of system reliability and provide 24 hour emergency service.
- * Address the system infiltration and in-flow problem by measuring flows in pump station service areas.
- * Continue to improve system's ability to handle major disaster events.
- * Negotiate with the Department of Environmental Quality (DEQ) a consent order to comply with the EPA's National Performance Based Strategy for Sanitary Sewer Overflows (SSOS).

UTILITIES FUND - EXPENDITURES

Major Departmental Functions

- * Operate and maintain the City's sanitary sewer system.
- * Train employees in the areas of system operation and safety.
- * Provide prompt, professional service to sewer system customers/citizens.
- * Document and explain departmental programs and expenditures.
- * Assist in planning and inspections of current sewer bond projects.
- * Coordinate with Engineering Department on sewer extension projects and rehabilitation projects.

<u>Performance Measures</u>	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
Force Main Miles	18	18	18	18
Grinder Pump Stations	19	19	19	19
Laterals Cleaned bi-monthly	9	10	10	10
Laterals Cleaned bi-yearly	9	14	14	14
Laterals Installed	6	10	10	10
Laterals Repaired	14	28	10	10
Locations Marked for Miss Utilities	2,429	2,408	2,500	2,500
Pump Stations	29	29	29	29
Pumps Repaired	16	28	14	14
Sewer Connections	4,494	4,544	4,649	4,744
Sewer Gravity Miles	45	46	46	47

Significant Budget Items

- * Increase in personal services includes a merit increase, an increase in health insurance, VRS contribution rate and group life insurance.

Program Accomplishments

- * Provided safety training for department employees.
- * Provided job skill and system training for new employees.
- * Maintained a high level of customer service while increasing the number of customers.
- * Accepted additional duties assisting other City departments.

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PARKS AND RECREATION FUND - SUMMARY

Parks and Recreation Fund Description

The Parks & Recreation Enterprise Fund is used to account for parks and recreation programs and activities which are financed by user fees. The Parks & Recreation Fund is separated into several departments; Field, Pool, Special Events and Child Care Program. Field Department includes activities for recreational leagues, athletics, arts and crafts and instructional classes. The Pool Department funds all activities relating to the pool, including swim lessons, recreational swimming and the swim team. An enclosed dome was constructed in September 2005 over the pool which will allow year round use of the facility. Special Events provide family oriented programs and festivals for the enjoyment of Poquoson citizens. In FY 2006, the Child Care Program was separated into its own department for management purposes; however, late in FY 2006, that program ended. The department, therefore, has been eliminated in FY 2007.

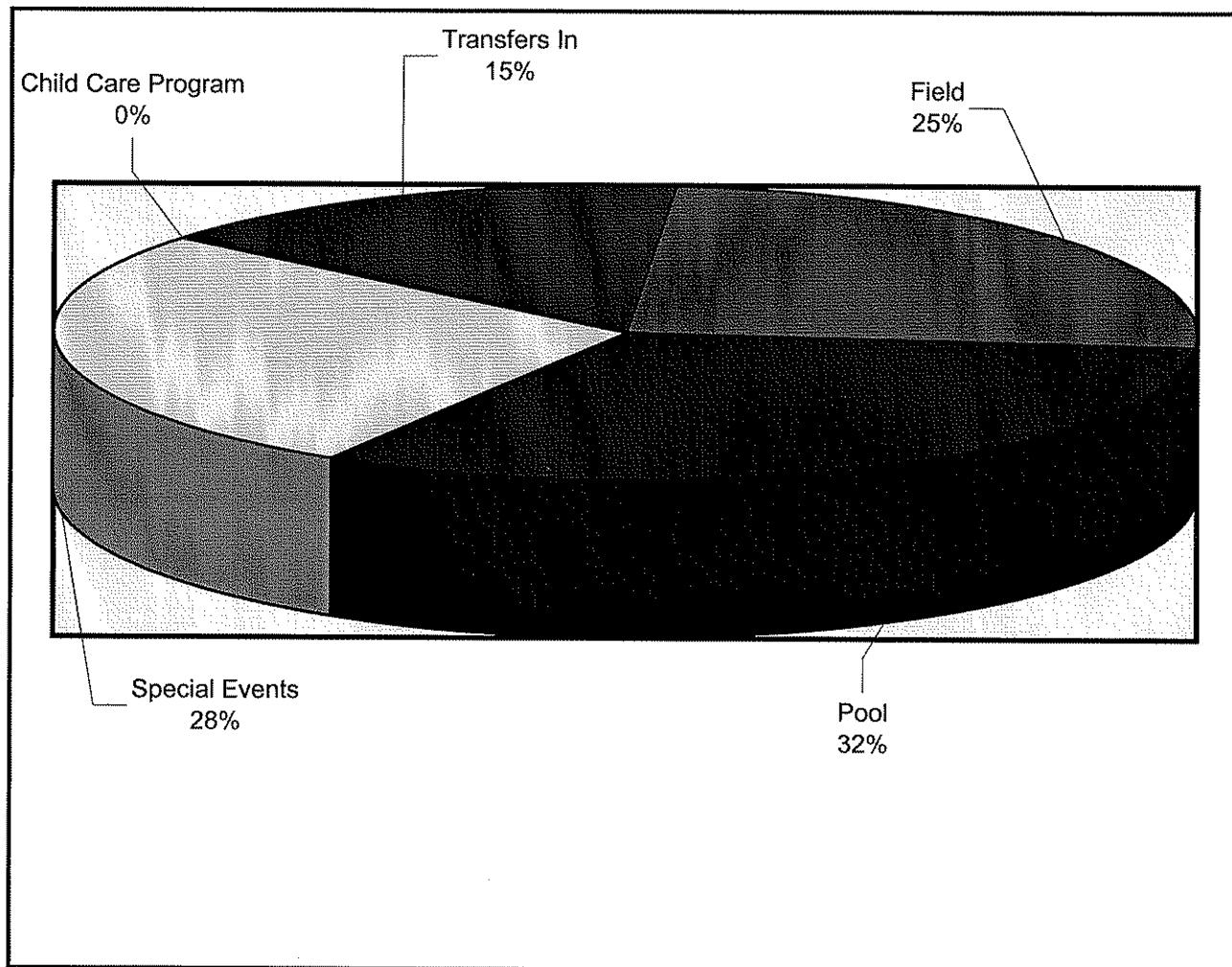
This fund also pays for several full time staff as well as part time positions of gym supervisor, lifeguards, and swim instructors at the pool.

Parks and Recreation Fund Projection of Unrestricted Net Assets

Beginning Unrestricted Net Assets- 7/1/2003	\$ 6,595
Actual FY 2004 Revenues	\$ 526,417
Actual FY 2004 Expenses	(524,504)
Unrestricted Net Assets - 6/30/2004	<u>1,913</u>
	\$ 8,508
Actual FY 2005 Revenues	\$ 562,383
Actual FY 2005 Expenses	(557,661)
Unrestricted Net Assets - 6/30/2005	<u>4,722</u>
	\$ 13,230
Estimated FY 2006 Revenues	\$ 651,454
Estimated FY 2006 Expenses	(704,500)
Projected Unrestricted Net Assets - 6/30/2006	<u>(53,046)</u>
	\$ (39,816)
Estimated FY 2007 Revenues	\$ 452,060
Estimated FY 2007 Expenses	(452,060)
Projected Unrestricted Net Assets - 6/30/2007	<u>\$ (39,816)</u>

PARKS AND RECREATION FUND - SUMMARY

Parks and Recreation Revenue

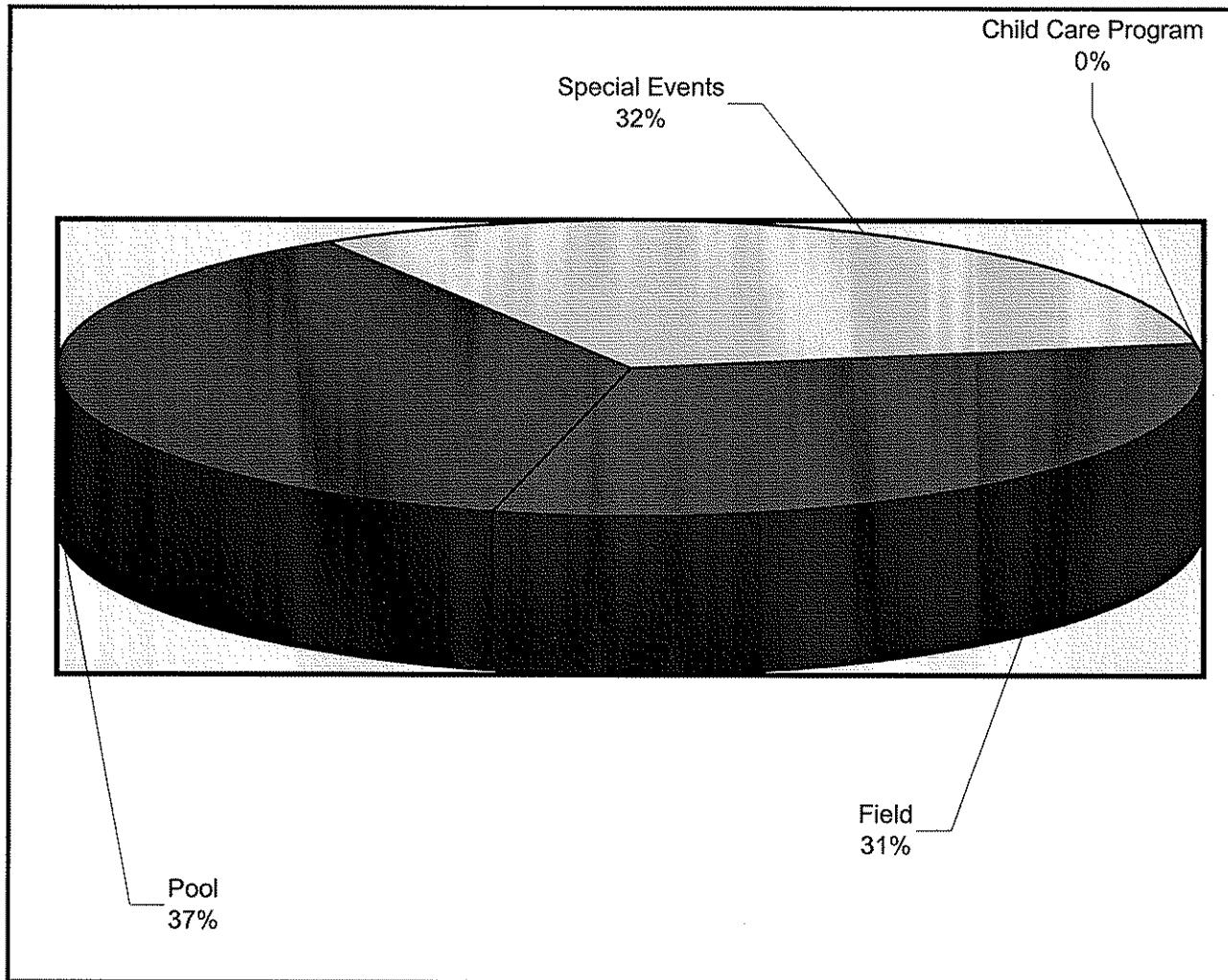


Parks and Recreation Revenue

	<u>Estimated FY 2006</u>	<u>FY 2007</u>
Charges for Services:		
Field	\$ 100,300	\$ 113,450
Pool	162,000	145,750
Special Events	129,254	123,150
Child Care Program	135,000	-
Transfers In	<u>124,900</u>	<u>69,710</u>
TOTAL	<u>\$ 651,454</u>	<u>\$ 452,060</u>

PARKS AND RECREATION FUND - SUMMARY

Parks and Recreation Expenses



Parks and Recreation Expenses

	<u>Estimated FY 2006</u>	<u>FY 2007</u>
Field	\$ 129,100	\$ 143,270
Pool	282,000	167,875
Special Events	127,300	140,915
Child Care Program	166,100	-
TOTAL	<u>\$ 704,500</u>	<u>\$ 452,060</u>

PARKS & RECREATION FUND - REVENUE

Parks and Recreation Revenue

Account Title	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2006 Estimated Revenue	FY 2007 Adopted Revenue	\$ Change From 2006 Budget	% Change From 2006 Budget
Field:							
Adult Athletics	\$ 6,794	\$ 6,120	\$ 8,500	\$ 8,500	\$ 8,000	\$ (500)	-5.9%
Adult Recreation Program	5,890	4,603	1,200	1,200	750	(450)	-37.5%
Discount Ticket Sales	3,990	7,663	4,000	4,000	8,000	4,000	100.0%
Instructional Classes	48,184	56,629	45,600	45,600	50,000	4,400	9.6%
Miscellaneous	599	5,967	500	500	300	(200)	-40.0%
Teen Center	1,703	94	500	500	3,400	2,900	580.0%
Youth Athletics	32,635	37,799	40,000	40,000	43,000	3,000	7.5%
Community Center	-	40	-	-	-	n/a	n/a
Field Revenue	\$ 99,795	\$ 118,915	\$ 100,300	\$ 100,300	\$ 113,450	\$ 13,150	13.1%
Pool:							
Gate Admission	14,524	10,755	17,000	17,000	19,000	2,000	11.8%
Miscellaneous	2,049	1,010	500	500	750	250	50.0%
Other Pool Activities	-	2,264	500	500	500	-	0.0%
Pool Passes	15,499	14,147	30,000	30,000	28,000	(2,000)	-6.7%
Pool Rental	2,000	2,175	60,000	45,000	60,500	500	0.8%
Swim Team	18,220	13,557	47,000	47,000	15,000	(32,000)	-68.1%
Swimming Lessons	17,898	14,575	22,000	22,000	22,000	-	0.0%
Pool Revenue	\$ 70,190	\$ 58,483	\$ 177,000	\$ 162,000	\$ 145,750	\$ (31,250)	-17.7%
Special Events:							
Childrens Events	4,500	4,750	4,800	4,800	4,750	(50)	-1.0%
Fireworks in the Marsh	-	-	-	1,954	600	600	n/a
Holiday Parade	625	500	500	500	600	100	20.0%
Portable Stage Rental	950	-	-	-	-	-	n/a
Seafood Festival Activities	13,672	3,755	2,000	2,000	2,200	200	10.0%
Seafood Festival Sponsors	48,700	47,700	41,000	41,000	41,000	-	0.0%
Seafood Festival Vendors	42,658	54,842	48,000	48,000	49,000	1,000	2.1%
Seafood Festival Parking	31,408	17,232	31,000	31,000	25,000	(6,000)	-19.4%
Special Events Revenue	\$ 142,513	\$ 128,779	\$ 127,300	\$ 129,254	\$ 123,150	\$ (4,150)	-3.3%
Child Care Program	\$ 157,919	\$ 164,306	\$ 175,000	\$ 135,000	\$ -	\$ (175,000)	-100.0%
Sale of Equipment	\$ -	\$ 8,300	\$ -	\$ -	\$ -	n/a	n/a
Transfer from General Fund	\$ 56,000	\$ 83,600	\$ 124,900	\$ 124,900	\$ 69,710	\$ (55,190)	-44.2%
TOTAL REVENUE & TRANSFERS IN	\$ 526,417	\$ 562,383	\$ 704,500	\$ 651,454	\$ 452,060	\$ (252,440)	-35.8%

PARKS & RECREATION FUND - REVENUE

Field Revenue Explanations

Adult Recreation Program: Revenues collected for trips to local and regional attractions. The program provides transportation, admission tickets and refreshments for these outings. Transportation is provided by the Parks and Recreation or Peninsula Agency on Aging vans.

Discount Ticket Sales: Revenues collected from the sale of theme park tickets to Kings Dominion, Busch Gardens and Water Country USA. The City receives a 5% profit share for all tickets sold on consignment.

Instructional Classes: Fees paid for instructional classes in ice skating, baton, arts and crafts, jewelry making, aerobics, karate, drama, various sports clinics and camps. A negotiated percentage is charged for instructors' fees.

Youth Athletics/Adult Athletics: Revenue from registration for youth and adult soccer, basketball league, co-ed volleyball and other programs. Some increases in fees as follows: tennis camp will have a professional tennis instructor and longer instruction time. Volleyball camp will have longer instruction time.

Sample Participation Fees:	FY 2006	FY 2007
Adult Basketball	360/team	500/team
Arts & Crafts Series	39	39
Baseball Pitching Clinic	43	43
Basketball Camp	80	80
Baton	17	17
Drama	40	40
Drama Camp	40	40
Field Hockey Camp	25	25
Golf Camp	100	100
Ice Skating	40	40
Soccer -- Fall and Spring	43	48
Soccer -- Summer Camp	65	65
Tennis Camp	95	95
Volleyball	135/team	135/team
Volleyball Camp	65	65
Youth Basketball	43	43

Pool Revenue Explanations

The City installed a dome covering over the pool for the cold weather months which provided the ability to use the pool on a year round basis. The City negotiated a contract with a local swim club for use of the pool on a long term basis which resulted in the large overall increase in revenue for the pool in FY 2006 and will continue in FY 2007. This contract will limit the use of the pool for City pool programs; however, the dome provided increased opportunities for class offerings year round for the citizens of Poquoson. The Poquoson High School Swim Team will be able to use the pool for practice.

PARKS & RECREATION FUND - REVENUE

Gate Admission: Daily admission charge of \$4 per day during the summer and \$5 per day during the winter.

Pool Passes: Membership passes; rates are as follows:

Pool Pass-- Resident--Summer	\$ 70 1st; \$35 for each extra; max \$210 per family
Pool Passes --Swim Team	\$ 35 for each participant
Pool Passes-- Non-Resident--Summer	\$ 80 1st; \$45 for each extra; max \$260 per family
Pool Pass-- Monthly--Winter	\$ 40 per family primary; \$20 for each extra

Pool Rental: The private rental of the pool and lifeguards after normal operating hours of \$175 per event. The increase in FY 2007 from FY 2006 estimated is due to the pool dome not ready for use for several months during the construction period.

Swim Team: Fee the participants pay to be on the swim team; \$120 resident and \$130 non-resident. This collected fee pays for the coaches, use of pool and chemicals. Developmental swim team; \$40 each month for 5 months of use.

Swimming Lessons: Swimming classes offered are certified by the American Red Cross. Fees charged are \$35 per child from ages 3-5 years for the Little Peoples Swim class. Level I through Level VI courses are available for ages 6 and older for \$38 per session. There are five sessions offered per summer that provide instruction for eight days per session. With the pool enclosed for year round use, swimming lessons will be offered throughout the year.

Sample Pool Fees:	Resident	Resident	Non-	Non-
	FY 2006	FY 2007	Resident	Resident
Gate Admission--summer	\$4	\$4	\$4	\$4
Gate Admission--winter	5	5	5	5
Pool Rental--summer private party	150	175	150	175
Pool Rental--winter private party	250	250	250	250
Swim Lessons	35/38*	35/38*	40/43*	40/43*
Swim Team	120	125	130	135

*lower rate for Little People, higher rate for various levels of classes

Special Events Revenue Explanations:

Children's Events: Sponsorship of children's events held in the City throughout the year.

Seafood Festival Activities: Revenue from the games, pony rides, glow necklaces and ice.

Seafood Festival Sponsors: Donations and contributions made to the City on behalf of businesses to sponsor certain events at the Seafood Festival or as general sponsors for the entire festival. Poquoson has pursued and secured significant sponsorship revenue.

Seafood Festival Vendors: Fees paid by an estimated 175 Arts & Craft vendors, 12 exhibitors and 32 food vendors. Food vendors are estimated to be 22 commercial at \$1,100 each and 10 civic at \$250 each. Exhibitors are estimated to be 4 commercial at \$500 and 8 civic at \$175. Arts & Crafts fees are expected to be 175 at \$55 which includes electricity for all participants.

Seafood Festival Parking: Parking fee for approximately 5,000 vehicles during the multi-day event.

PARKS & RECREATION FUND - REVENUE

Child Care Program:

The Child Care Program was eliminated in late FY 2006. There has been a decrease in enrollment over the last several years. The Poquoson City Schools have agreed to take over the program and have contracted with a local child care facility to run their program.

	Before School <u>FY 2006</u>	Before School <u>FY 2007</u>	After School <u>FY 2006</u>	After School <u>FY 2007</u>
Before/After School Fees:				
Daily Rate	\$8	\$0	\$12	\$0
Weekly Rate	28	0	44	0
Monthly Rate	80	0	163	0
Registration Fee	25	0	30	0
			Non- Resident <u>FY 2006</u>	Non- Resident <u>FY 2007</u>
Summer Day Camp Fees:	Resident <u>FY 2006</u>	Resident <u>FY 2007</u>		
Daily Rate	\$23	\$0	\$28	\$0
Weekly Rate	92	0	110	0
Registration Fee	30	0	42	0

Transfer from General Fund Explanation:

The transfer of \$69,710 is to cover the ongoing operating deficits which have been occurring in this fund.

PARKS AND RECREATION FUND - FIELD

Expenditures Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ 191,779	\$ 66,258	\$ 67,500	\$ 79,470	\$ 11,970	17.7%
Operating Expenses	96,260	87,268	61,350	63,600	2,250	3.7%
Capital Outlay	-	1,026	250	200	(50)	-20.0%
Totals	\$ 288,039	\$ 154,552	\$ 129,100	\$ 143,270	\$ 14,170	11.0%

Personnel Summary

	FY 2004 Authorized	FY 2005 Authorized	FY 2006 Authorized	FY 2007 Authorized
Recreation Program Coordinator	0.65	0.65	0.65	0.5
Admin Support Technician	1	0.70	0.70	1.00
School Age/Child Care Director	1	0	0	0
Part Time (FTE)	2.5	0.3	0.3	0.3
Totals	5.15	1.65	1.65	1.8



Goals and Objectives

- * Provide a wide range of recreational opportunities, special events, tours, environmental and athletic activities for the community.
- * Maintain a safe and comfortable atmosphere for weekly luncheons for the Peninsula Agency on Aging.
- * Expand program offerings for all ages and interests.
- * Continue to generate program-supporting revenue through user fees.

PARKS AND RECREATION FUND - FIELD

Major Departmental Functions

- * Plan, organize and produce leisure services for City residents including youth soccer, adult co-ed softball, youth basketball, summer sports camps, adult recreation trips, youth and adult instructional classes.
- * Maintain, upkeep and develop existing and new athletic facilities.
- * Provide support for 12 high school and 74 independent league teams.
- * Maintain building and grounds for use by City organizations, provide support to the Peninsula Agency on Aging's programs, and support civic initiatives and activities.

<u>Performance Measures</u>	<u>Actual FY 2004</u>	<u>Actual FY 2005</u>	<u>Estimated FY 2006</u>	<u>Estimated FY 2007</u>
Adult Athletic Leagues	442	540	600	600
Adult Instructional Classes	120	105	100	210
Senior Center (Mature Adults)	650	724	900	875
Trips -- Youth/Adult	220	252	275	240
Youth Athletic Leagues	890	1,060	1,000	1,000
Youth Instructional Classes	400	411	430	440

Significant Budget Items

- * For personal services, FY 2007 increase s due to the restructure of full time staff, health insurance, retirement and life insurance.
- * In FY 2005 there was a reclassification of the Child Care Program to its own department and the associated costs of that program transferred from this department. Also an allocation change of 30% of a full-time employee to the Child Care Program. In FY 2004 the costs of child care program are reflected here.

Program Accomplishments

- * Continued to offer instructional programs including youth drama, karate, gymnastics, summer sports camps, youth and adult team sports, various health and fitness programs, adult trips and activities.
- * Continued partnership of youth basketball program with Junior NBA/WNBA.
- * Hosted a community-wide Halloween with over 500 children and parents participating. The event was in partnership with the Poquoson Police Department and many volunteers.
- * Enhanced the Islander Recreation Program Guide, including posting the program guide and registration form on the web site and promotions in the local newspapers, Cable TV and "poquoson.com" .
- * Offered Islander High Adventure camp for teens.

PARKS AND RECREATION FUND - POOL

Expenditures Summary

	FY 2004	FY 2005	FY 2006	FY 2007	\$ Change	% Change
	Actual	Actual	Revised Budget	Adopted Budget	From 2006 Budget	From 2006 Budget
Personal Services	\$ 50,472	\$ 50,727	\$ 82,900	\$ 92,210	\$ 9,310	11.2%
Operating Expenses	17,728	21,472	69,660	58,975	(10,685)	-15.3%
Capital Outlay	6,145	10,083	129,440	16,690	(112,750)	-87.1%
Totals	\$ 74,345	\$ 82,282	\$ 282,000	\$ 167,875	\$ (114,125)	-40.5%

Personnel Summary

	FY 2004	FY 2005	FY 2006	FY 2007
	Authorized	Authorized	Authorized	Authorized
Athletic/Aquatic Coordinator	0.35	0.35	0.35	0.50
Part Time (FTE)	2.50	2.50	5.00	5.00
Totals	2.85	2.85	5.35	5.50



Goals and Objectives

- * Complete the construction of a dome over the pool for year round use.
- * Provide a comprehensive aquatics program for citizens.
- * Review pool Operations Procedures Manual to ensure all safety and operations standards are current with accepted industry practices.
- * Continue to provide swimming lessons and aquatic safety classes for all citizens.
- * Continue to provide an opportunity for youth to participate in a competitive summer swim program in the Virginia Peninsula Swimming Union (VPSU).
- * Provide opportunities for better health and fitness through aquatic activities and programs.

PARKS AND RECREATION FUND - POOL

Major Departmental Functions

- * Provide summer swimming opportunities for citizens from Memorial Day through Labor Day.
- * Provide nationally accredited swimming instruction for youth and adults.
- * Provide competitive swim opportunities, hold practices and swim meets for the Barracuda Swim Team.
- * Make the facility available for rent to community organizations and residents after regular business hours.
- * Educate children and adults regarding safety around pools and other bodies of water.

Performance Measures

	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
*Daily Gate Admissions	3,100	3,825	4,800	5,000
Season Pass Admissions	350	750	400	390
Swimming Lessons	450	410	650	700
Swim Team--summer	130	120	125	130
Swim Team--winter	n/a	n/a	25	35

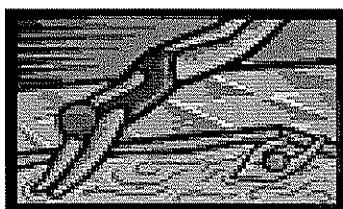
* one pass for each swim team participant

Significant Budget Items

- * Personal services increase is due to restructure of full time staff, health insurance, retirement and life insurance.

Program Accomplishments

- * Completed another season with no serious injuries or drowning incident.
- * Continued a program to replace and expand the pool deck.
- * Participated in a regional water-safety educational program.
- * Provided year-round swim team, instructional and recreational aquatic activities for the community.



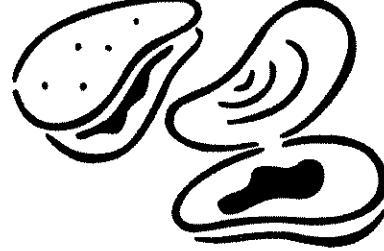
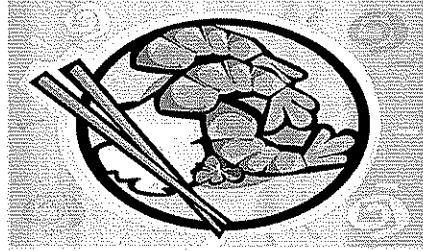
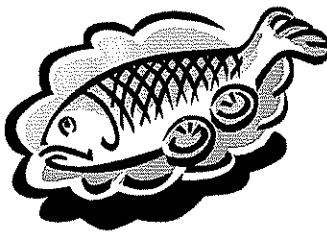
PARKS AND RECREATION FUND - SPECIAL EVENTS

Expenditures Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ 12,727	\$ 12,784	\$ 11,970	\$ 15,240	\$ 3,270	27.3%
Operating Expenses	149,397	146,677	115,330	125,475	10,145	8.8%
Capital Outlay	-	-	-	200	200	n/a
Totals	\$ 162,124	\$ 159,461	\$ 127,300	\$ 140,915	\$ 13,615	10.7%

Personnel Summary

Existing part time staff work at various special events.



Goals and Objectives

- * Continue to generate revenues through fees and sponsorships to support the Seafood Festival and other special events.
- * Provide safe family oriented events for the citizens of Poquoson including the July 4th Festival, Poquoson Seafood Festival, Holiday Parade, Child Fest, Easter Egg Hunt and other seasonal celebrations.
- * The 26th Poquoson Seafood Festival will be held October 20 - 22, 2006. Goals for this year's festival include attracting 65,000 patrons, 215 vendors, national and regional entertainment, and increasing waterman and bay exhibits.

PARKS AND RECREATION FUND - SPECIAL EVENTS

Major Departmental Functions

- * Plan, organize and produce special events through the year, the largest being the Seafood Festival.
- * Maintain calendar of special events through the City with points of contact for each.
- * Provide leadership and direction to the Poquoson Seafood Festival Committee and the various activities and events included in the Seafood Festival.
- * Prepare and administer proposals for service needed for special events.

Performance Measures	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
Poquoson Seafood Festival:				
Arts & Crafts Vendors	175	175	172	175
Exhibitors	60	60	60	60
Food Vendors	35	33	33	33
Workboat Race Entries	55	55	55	55
Attendance	50,000	60,000	60,000	60,000
Other Events	15	15	15	15
Days of Programming	20	20	20	20

Significant Budget Items

- * In FY 2007, planned festivals include the July 4th celebration, Poquoson Seafood Festival Weekend on October 20-22, 2006, Poquoson Holiday Parade, an Easter Egg Hunt in spring 2007 and Child Fest in May 2007.

Program Accomplishments

- * Maintained the quality of existing events such as the Poquoson Seafood Festival, Fireworks in the Park, Easter Egg Hunt and Child Fest, while introducing new activities to each event.
- * Introduced new food vendors, exhibitors and media support partners at the Seafood Festival.

PARKS AND RECREATION FUND - CHILD CARE

Expenditures Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ -	\$ 120,758	\$ 139,350	\$ -	\$ (139,350)	-100.0%
Operating Expenses		28,750	26,750	-	(26,750)	-100.0%
Capital Outlay	-	-	-	-	n/a	n/a
Totals	\$ -	\$ 149,508	\$ 166,100	\$ -	\$ (166,100)	-100.0%

Personnel Summary

	FY 2004 Authorized	FY 2005 Authorized	FY 2006 Authorized	FY 2007 Authorized
School Age/Child Care Director	0	1	1	0
Admin Support Technician	0	0.3	0.3	0
Part Time (FTE)	0	2.2	2.2	0
Totals	0	3.5	3.5	0

PARKS AND RECREATION FUND - CHILD CARE

Significant Budget Items

- * Late in FY 2005 this was a newly formed department. Originally the child care program was included in the Field Department and the expenses and personnel that relate to that function are reflected in the Field Department for FY 2003 and FY 2004.
- * Late in FY 2006, this program was eliminated due to the low enrollment rate.
- * Full time staff will be transferred to the General Fund and the part time FTE positions have been eliminated.

Performance Measures

	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
School Age Program	323	300	320	n/a

PARKS AND RECREATION FUND - SUMMARY

Expenditures Summary - Comparison of Years

Project	FY 2004 Actual	FY 2005 Actual	FY 2006 Original Budget	FY 2006 Revised Budget	FY 2006 Estimated Budget	FY 2007 Adopted Budget
Field	\$ 288,039	\$ 154,552	\$ 129,100	\$ 129,100	\$ 123,747	\$ 143,270
Pool	74,345	82,282	282,000	282,000	103,753	167,875
Special Events	162,124	159,461	127,300	127,300	157,060	140,915
Child Care	-	149,508	166,100	160,600	160,600	-
Non-Operating Expense	-	-	-	-	-	-
Totals	\$ 524,508	\$ 545,803	\$ 704,500	\$ 699,000	\$ 545,160	\$ 452,060



Youth Soccer Game



Field Hockey



City Pool



Special Events

FLEET MANAGEMENT FUND - SUMMARY

Fleet Management Fund Description

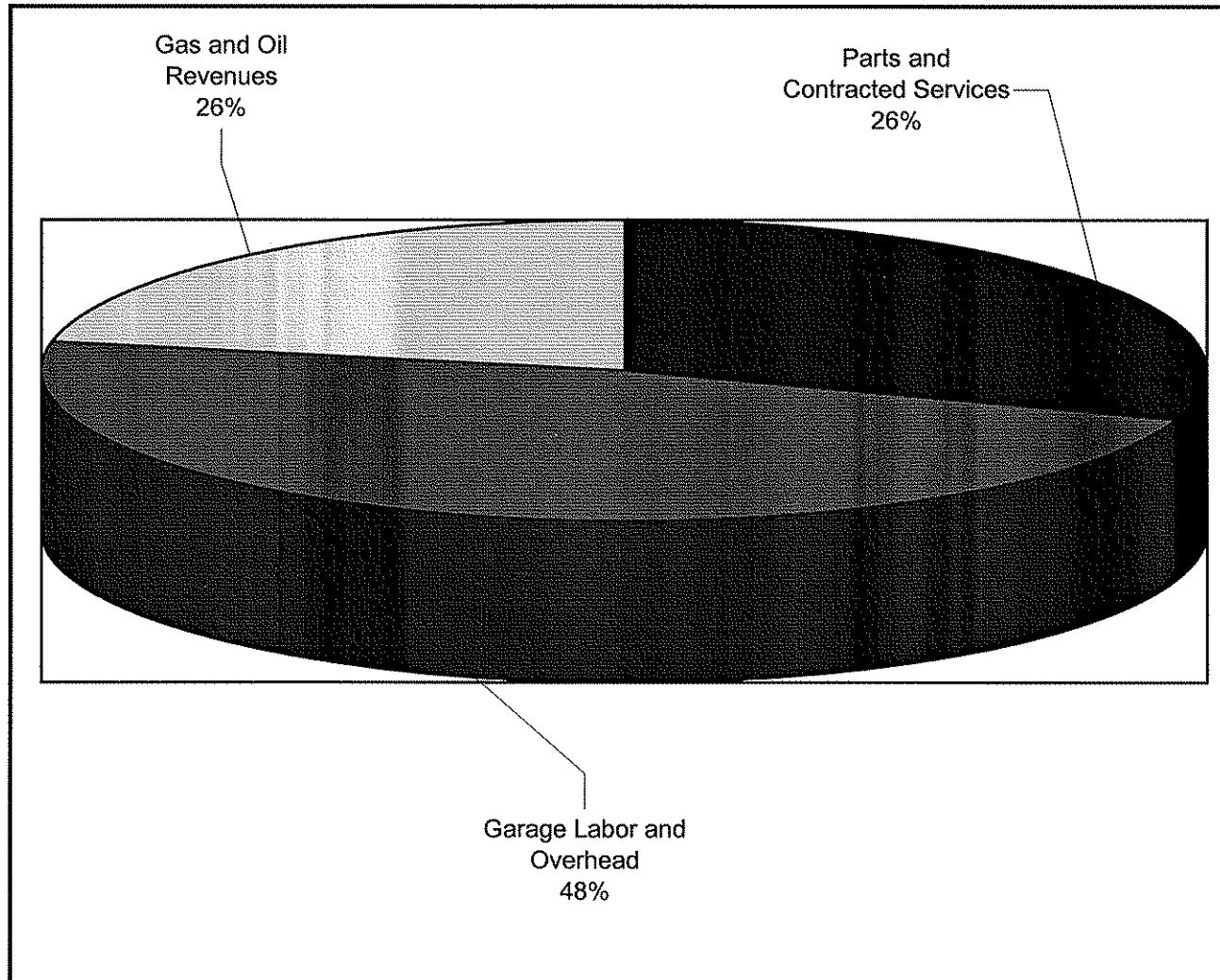
The Fleet Management Fund is operated as an Internal Service Fund. An Internal Service Fund is used to account for the financing of costs of services provided by one department to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. Internal Service Funds are classified as proprietary funds in recognition of the commercial accounting principles they follow. The Fleet Management Fund, which consists of the garage operation, provides maintenance/repair service of all City vehicles and equipment as well as for School Board vehicles and buses. The charging of garage services through an Internal Service Fund allows for equitable distribution of the cost of operating the garage to the departments using the services. Each department is billed directly for repair and maintenance of vehicles. The Fleet Management Fund also provides fuel and lubricants for City and School vehicles which are billed directly to the departments based on usage.

Fleet Management Projection of Unrestricted Net Assets

Beginning Unrestricted Net Assets - 6/30/2003	\$ 49,795
Actual FY 2004 Revenues	\$ 546,714
Actual FY 2004 Expenses	(538,487)
Unrestricted Net Assets - 6/30/2004	\$ 58,022
Actual FY 2005 Revenues	\$ 584,827
Actual FY 2005 Expenses	(562,568)
Unrestricted Net Assets - 6/30/2005	\$ 80,281
Estimated FY 2006 Revenues	\$ 607,340
Estimated FY 2006 Expenses	(607,340)
Projected Unrestricted Net Assets - 6/30/2006	\$ 80,281
Estimated FY 2007 Revenues	\$ 740,420
Estimated FY 2007 Expenses	(740,420)
Projected Unrestricted Net Assets - 6/30/2007	\$ 80,281

FLEET MANAGEMENT FUND - SUMMARY

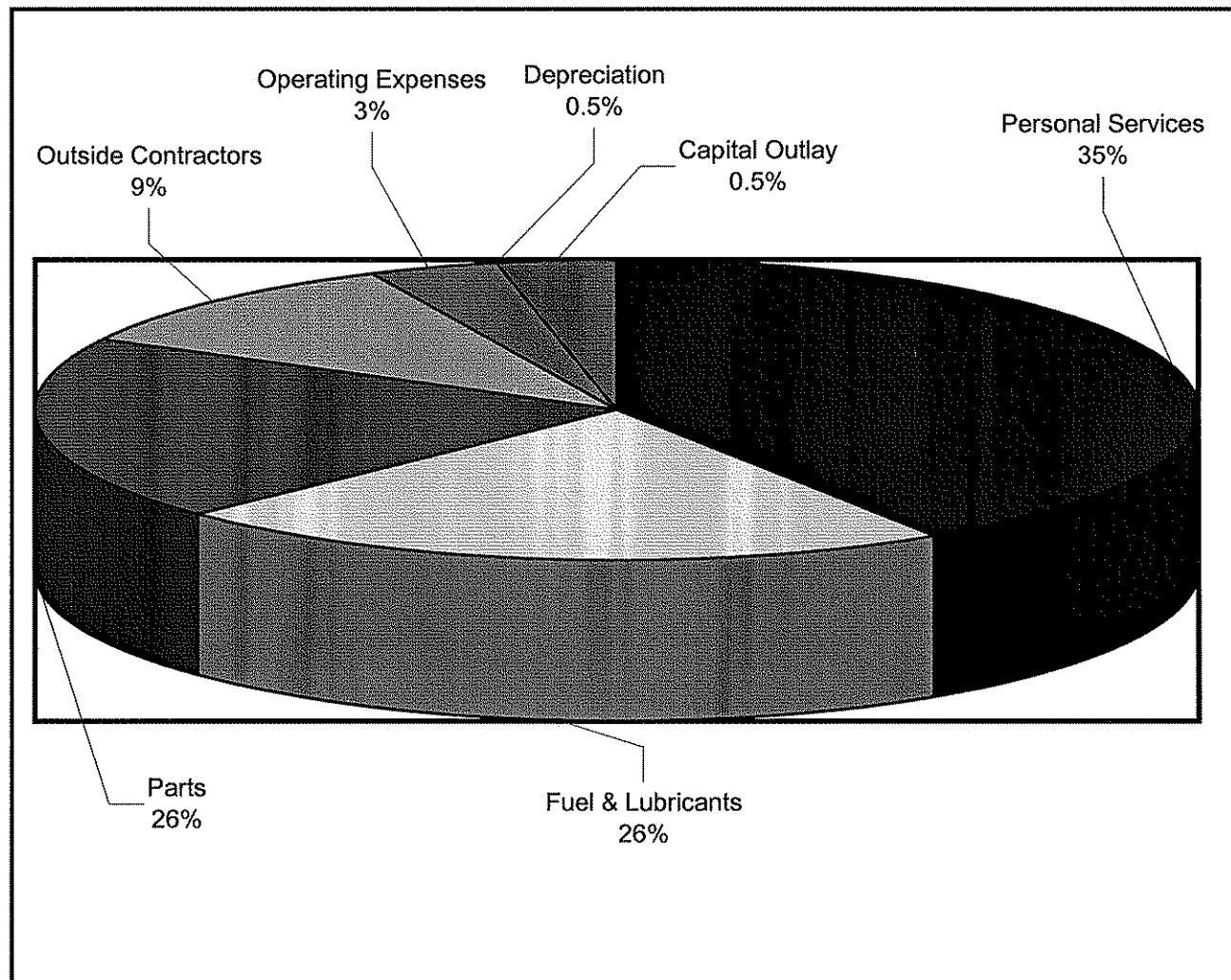
Fleet Management Revenue



<u>Fleet Management Revenue</u>	Estimated	
	<u>FY 2006</u>	<u>FY 2007</u>
Parts and Contracted Services	\$ 187,030	\$ 193,170
Garage Labor and Overhead	286,580	353,960
Gas and Oil Revenues	132,700	193,290
Sale of Equipment	1,030	-
TOTAL	\$ 607,340	\$ 740,420

FLEET MANAGEMENT FUND - SUMMARY

Fleet Management Expenses



<u>Fleet Management Expenses</u>	<u>Estimated</u>	
	<u>FY 2006</u>	<u>FY 2007</u>
Personal Services	\$ 245,200	\$ 261,480
Fuel & Lubricants	132,700	193,290
Parts	125,120	193,170
Outside Contractors	61,910	64,200
Operating Expenses	21,860	21,280
Depreciation	2,020	3,300
Capital Outlay	18,530	3,700
TOTAL	\$ 607,340	\$ 740,420

FLEET MANAGEMENT FUND - REVENUE

Fleet Management Revenue

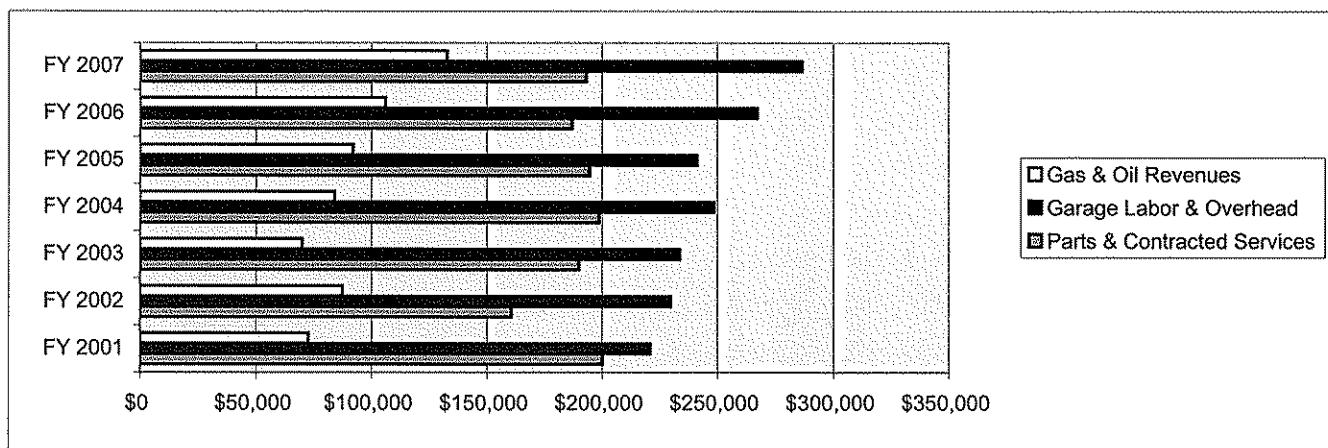
Account Title	FY 2004	FY 2005	FY 2006	FY 2006	FY 2007	Change	%
	Actual	Actual	Revised Budget	Estimated Revenue	Adopted Revenue	From 2006 Budget	Change From 2006 Budget
Parts and Contracted Services	\$ 190,610	\$ 170,360	\$ 187,030	\$ 187,030	\$ 193,170	\$ 6,140	3.3%
Garage Labor and Overhead	247,700	278,749	286,580	286,580	353,960	67,380	23.5%
Gas and Oil Revenues	108,404	135,718	132,700	132,700	193,290	60,590	45.7%
Sale of Equipment	-	-	1,030	1,030	-	(1,030)	-100.0%
Transfer from General Fund	-	-	-	-	-	n/a	n/a
TOTAL REVENUE	\$ 546,714	\$ 584,827	\$ 607,340	\$ 607,340	\$ 740,420	\$ 133,080	21.9%

Revenue Explanations

Parts and Contracted Services: Anticipated revenue for charges to users for the cost of parts for vehicles and equipment. Parts and contracted services are charged to departments based on actual cost incurred. The amount for FY 2007 is based on estimates from the Fleet Management Supervisor.

Garage Labor and Overhead: Fleet employee salaries, benefits, and garage charges are billed to users as labor involved with repairing and maintaining vehicles and equipment. Each department is charged a pro-rated share of the Fleet operating costs based on the anticipated time that will be spent repairing and maintaining their vehicles in FY 2007. City departments' labor line item is charged based on overall percentage of vehicles and equipment for each department.

Gas and Oil Revenues: Projected revenues from the direct billing to users of gas and oil for vehicles and equipment. Gas and oil are charged to departments based on actual costs incurred. The increase is due to the higher fuel cost which is budgeted at \$2.20 per gallon.



FLEET MANAGEMENT FUND - EXPENSES

Expense Summary

	FY 2004 Actual	FY 2005 Actual	FY 2006 Revised Budget	FY 2007 Adopted Budget	\$ Change From 2006 Budget	% Change From 2006 Budget
Personal Services	\$ 211,910	\$ 223,074	\$ 245,200	\$ 261,480	\$ 16,280	6.6%
Operating Expenses	317,939	326,423	341,590	471,940	130,350	38.2%
Capital Outlay	8,638	13,071	20,550	7,000	(13,550)	-65.9%
Totals	\$ 538,487	\$ 562,568	\$ 607,340	\$ 740,420	\$ 133,080	21.9%

Personnel Summary

	FY 2004 Authorized	FY 2005 Authorized	FY 2006 Authorized	FY 2007 Authorized
Fleet Management Supervisor	1	1	1	1
Chief Equipment Mechanic	1	1	1	1
Equipment Mechanic	2	2	2	2
Mechanic's Helper (FTE)	0.25	0.10	0.10	0.00
Secretary (FTE)	0.50	0.50	0.50	0.50
Totals	4.75	4.60	4.60	4.50

Goals and Objectives

- * Maintain a safe, serviceable fleet of 280 vehicles and equipment at the lowest possible cost and down time to the individual departments.
- * Provide vehicle users with safe and dependable vehicles.
- * Purchase vehicle and equipment parts and components from the least expensive source.
- * Perform as many repairs in-house as economically feasible.
- * Ensure all Fleet Management personnel are kept abreast of the many changes that occur in vehicles and equipment.
- * Assist departments in replacement of vehicles and equipment that are no longer economical to maintain through monitoring of repair frequency, costs and vehicle down time.
- * Provide safe working environment through safety program that identifies potential hazards and train employees to identify and correct deficiencies.
- * Perform quality control inspections on 20% of repairs.
- * Coordinate repair costs with department heads when extensive repairs are needed.
- * Maintain effective communications between Fleet Management and other departments.

FLEET MANAGEMENT FUND - EXPENSES

Major Fund Functions

- * Perform necessary repairs to City and School vehicles and equipment.
- * Perform State and locally established safety and preventive maintenance inspections and services.
- * Ensure a qualified mechanic is available to respond to emergencies after normal working hours.
- * Provide training and/or education to staff regarding changes in vehicle/equipment repair and maintenance.
- * Maintain complete service records, including costs and down time, for all vehicles and equipment.
- * Provide technical assistance to department managers concerning vehicle and equipment replacement.
- * Develop vehicle and equipment repair estimates for budgeting purposes.
- * Assist in safety, disaster preparedness, and other programs involving the operation of motor vehicles.

<u>Performance Measures</u>	<u>Actual FY 2004</u>	<u>Actual FY 2005</u>	<u>Estimated FY 2006</u>	<u>Estimated FY 2007</u>
Number of Vehicles & Equipment	283	276	280	280
% of Maintenance Performed In-House	90%	90%	90%	90%
Scheduled Maintenance Work Orders	1,083	846	900	900
Scheduled Work %	63%	56%	60%	60%
Unscheduled Maintenance Work Orders	682	665	800	800
Unscheduled Work %	39%	44%	40%	40%
Direct Labor Hours	6,100	5,645	5,900	6,000
Direct Labor Hours of Available Hours %	85%	78%	80%	85%
Overtime Hours	400	81	200	300
Sublet Work Orders (Outside Repairs)	173	177	180	180
Service Calls for Repairs Out of Shop	72	111	85	100
Quality Control Inspections %	11%	6%	7%	5%
Parts Transactions	9,000	4,897	5,500	5,500
Lost Days due to Work Related Accidents	0	0	0	0

Significant Budget Items

- * Increase in personal services due to merit increase, cost for health insurance and life insurance.
- * Increase in operating expenses due to the increased cost of fuel that is charged to departments which is slightly offset by decrease in various line items.
- * FY 2007 decrease in capital outlay is due to replacement of departmental vehicle in FY 2006.

Program Accomplishments

- * This is the 16th year that Vehicle Maintenance has gone with no reportable discrepancies on the school buses per the inspections performed by the Department of Education's Transportation Division.
- * Maintained a 90% rate on in-house repairs.

FLEET MANAGEMENT FUND - EXPENSES

FY 2007 costs charged to City Departments and Schools

	<u>Parts & Contracted Services</u>	<u>Garage Labor & Overhead</u>	<u>Gas & Oil</u>
City Manager	\$900	\$1,260	\$1,000
Assessor	345	1,260	500
Police	19,245	38,060	40,000
Fire	39,485	34,320	15,000
Inspections	850	2,220	2,200
Engineering	580	2,940	500
Public Works	31,165	35,400	17,000
Mosquito	15,540	16,560	5,000
Parks & Recreation	5,880	12,720	6,000
Planning	320	1,260	500
Utilities	4,910	10,920	6,000
Solid Waste - Garbage/Recycling	3,655	15,240	7,000
Solid Waste - Bulky Item/Landscaping	7,220	10,800	9,500
Fleet	500	0	900
Schools	<u>62,575</u>	<u>171,000</u>	<u>82,190</u>
Totals	<u>\$193,170</u>	<u>\$353,960</u>	<u>\$193,290</u>

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APPENDIX

A Short History of Poquoson:

"Poquoson" is an Indian word for low, flat land. The City is believed to be one of the older English-speaking American settlements that still bears its original name.

Settlement of the Poquoson area was opened in 1628 by order of the Council of State at Jamestown. Many of the early settlers were plantation owners who, with their tenants and apprentices, originally lived south of the Back River. The Great Marsh and Messick Point were important shipping points as early as 1635 for tobacco and other products from the plantations.

After the Revolutionary War, the larger colonial plantations were divided and sold as smaller farms because they were no longer able to survive financially. Many of the people buying the farms were Methodists from Baltimore and the Eastern Shore area. Methodism is a prevailing denomination in the City today.

Poquoson remained a "backwater" farming and fishing community. While there was extensive civil war action on the Peninsula, there was no known war activity in Poquoson. However, many citizens fought for the confederacy.

Poquoson's rural lifestyle started to change during World War I with the construction of Langley Field. Rapid changes and population growth occurred in the years following World War II. Farming and fishing quickly gave way to suburbanization.

Poquoson, which had been a part of York County for many years, became a town in 1952 and an independent city in 1975 upon referendum of the citizens. Certain municipal offices and functions continue to be shared with York County.

Form of Government:

Poquoson is organized under the Council-Manager form of government. The Poquoson City Council is composed of seven members who are elected by the voters and serve four year terms. The City is divided into three precincts. Each precinct is entitled to two representatives. One representative is elected at large and is the City Mayor. Persons elected to City Council take office on the first day of January following the election.

The City Council is the policy determining body of the City. Its responsibilities include: adoption of the City budget; creation, combination or elimination of City departments; approval of all tax levies; approval of amendments, supplements or repeals to ordinances, and the City Code; and appointment of the City Manager, City Clerk, City Attorney, School Board and various local boards, commissions and committees. The City Manager acts as Chief Executive and Administrative Officer of the City. The manager serves at the pleasure of Council, carries out its policies, directs business procedures and has the power of appointment and removal of the heads of all departments (except Constitutional Officers) as well as all other employees of the City.

Fiscal Year:

Begins July 1 and ends the following June 30.

APPENDIX

Assessments:

Real estate is assessed biennially at "fair market value" by the City Assessor. This value is currently estimated to be close to 81% of actual value.

Taxes Due:

Real estate taxes are assessed as of the first day of July. Real estate and personal property taxes are payable in two installments each year on June 5 and December 5. If paid after the due date, a 10% penalty is added. Interest at the rate of 10% per annum accrues on all delinquent taxes beginning on the first day following the due date.

Overlapping Debt:

The City of Poquoson is autonomous and entirely independent of any other political subdivision of the State, being a separate and distinct political unit. It has no overlapping debt with other political units.

Land Area:

	<u>Acres</u>	<u>Square Miles</u>
Non-Wetlands	4,997	7.8
Wetlands	<u>4,398</u>	<u>6.9</u>
Total	<u>9,395</u>	<u>14.7</u>

Miles of Roadway:

	<u>Miles</u>
Primary	5.01
Secondary	46.75

Population:

1960 U.S. Census Count	4,278
1970 U.S. Census Count	5,441
1980 U.S. Census Count	8,726
1990 U.S. Census Count	11,005
2000 U.S. Census Count	11,566

Education:

	<u>Number of Schools</u>	<u>Actual 2005-2006 Enrollment</u>	<u>Projected 2006-2007 Enrollment</u>
Primary	1	492	477
Elementary	1	528	533
Middle	1	646	639
High	1	<u>907</u>	<u>921</u>
Total		<u>2,573</u>	<u>2,570</u>

APPENDIX

FINANCIAL TRENDS ANALYSIS 1996 – 2005

(LATEST ANALYSIS AVAILABLE)

FACTORS USED IN ANALYZING TRENDS

The *Financial Trends Analysis 1996 - 2005* is presented here to show some of the trends over time.

Much of the following data is presented in 1996 dollars as well as current dollars. The intent is to take inflation out of the numbers in order that the real change, if any, will be more apparent. No single statistical index precisely measures inflation in a given locality. The report uses the National Consumer Price Index (CPI) because it is the index most widely understood by the public at large and because it is historically consistent from year to year.

Similarly, data is also presented on a per household basis because as revenues grow and additional expenditures become necessary as a result of population growth, the underlying trend is most important. Household estimates from year to year are not precise, but are derived from a combination of U. S. Bureau of Census information, the University of Virginia Center for Public Service and the City of Poquoson Planning Department. Therefore, as is the case with the estimates for inflation, no single year's data should be viewed in isolation.

The factors used in the analysis are shown below:

Year	Consumer Price Index	Annual Increase in CPI	Population	Housing Units
1996	100.0	3.3%	11,341	4,113
1997	103.3	1.7%	11,397	4,159
1998	105.1	1.6%	11,453	4,207
1999	106.7	2.7%	11,509	4,246
2000	109.6	3.4%	11,566	4,300
2001	113.3	1.6%	11,694	4,349
2002	115.2	2.4%	11,845	4,418
2003	117.9	1.9%	12,076	4,489
2004	120.2	3.3%	11,600	4,534
2005	124.1	3.4%	11,900	4,568
% Change	24.1%		4.9%	11.1%

CPI Change is December - December. 2005 change estimated by the Kiplinger Washington Letter.

2000 Population and housing unit's figures from U.S. Census.

2001 - 2005 Population estimated by the City of Poquoson's Planning Department.

APPENDIX

HOUSEHOLD INCOME

Household Income is an important measure of a community's ability to pay for the services provided by the local government. The higher the income, the greater the ability to generate revenue to pay for the desired level of services. For example, a higher income can translate into greater spending power within the community, which translates into greater local sales tax, and meals tax revenue, as well as a greater base of personal property value. In addition, if income is evenly distributed, a higher-than-average household income will usually mean lower dependency upon governmental services, particularly in the health and welfare area. Bond rating firms also use such an indicator as an important measure of a locality's ability to repay debt.

The following table indicates that Poquoson has the highest median household income in the Hampton Roads area for 2003, at \$67,664, which is 35% above the Virginia average of \$50,028.

Median Household Income

	2001	2002	2003
Poquoson	\$64,011	\$66,985	\$67,664
York County	\$60,729	\$62,965	\$65,302
James City County	\$57,352	\$59,483	\$62,271
Chesapeake	\$50,692	\$52,336	\$53,996
Virginia Beach	\$49,742	\$50,317	\$50,257
Gloucester County	\$45,640	\$46,247	\$47,137
Suffolk	\$41,623	\$43,875	\$46,352
Hampton	\$39,005	\$39,078	\$39,795
Newport News	\$36,850	\$37,323	\$38,334
Williamsburg	\$36,463	\$36,123	\$34,495
Portsmouth	\$32,858	\$33,354	\$34,413
Norfolk	\$24,640	\$30,648	\$31,933
Virginia	\$48,130	\$48,224	\$50,028

Source: University of Virginia Center for Public Service, *County & City Estimates for Median Household Income for Virginia: 2003*. Latest date available.

APPENDIX

TOTAL REVENUES

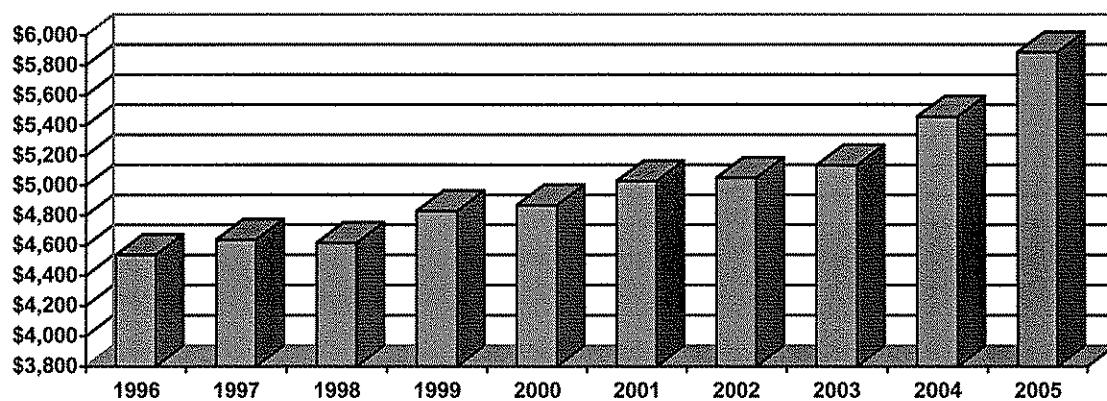
After adjusting for inflation, total revenue received per Poquoson household has increased 29.7% since 1996, or an average of 3.0% per year.

Total Revenue Per Household

Year	Revenue in Current Dollars	Revenue Per Household	Revenue in 1996 Dollars	Revenue Per Household
1996	\$18,669,553	\$4,539	\$18,669,553	\$4,539
1997	\$19,930,849	\$4,792	\$19,294,142	\$4,639
1998	\$20,410,930	\$4,852	\$19,428,601	\$4,618
1999	\$21,879,704	\$5,153	\$20,498,707	\$4,828
2000	\$22,944,724	\$5,336	\$20,931,358	\$4,868
2001	\$24,783,411	\$5,699	\$21,865,284	\$5,028
2002	\$25,687,323	\$5,814	\$22,305,870	\$5,049
2003	\$27,172,586	\$6,053	\$23,042,593	\$5,133
2004	\$29,733,770	\$6,558	\$24,744,357	\$5,458
2005	\$33,377,932	\$7,307	\$26,889,659	\$5,887
% Change	78.8%	61.0%	44.0%	29.7%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*, includes General, Special Revenue, Debt Service and Capital Projects Funds.

Total Revenue Per Household



APPENDIX

In the mid 1990's, a greater percentage of the total revenue was raised from local sources as a result of decreases in receipts from the State and Federal governments. This trend changed in 1999 when the State implemented the Personal Property Tax Relief Act (PPTRA).

Sources of Revenue - Poquoson

Year	Local	State	Federal	Total
1996	57.8%	39.4%	2.8%	100.0%
1997	58.3%	39.4%	2.3%	100.0%
1998	58.1%	39.5%	2.4%	100.0%
1999	56.4%	41.1%	2.5%	100.0%
2000	54.3%	43.2%	2.5%	100.0%
2001	53.5%	43.3%	3.2%	100.0%
2002	52.8%	43.8%	3.4%	100.0%
2003	54.8%	42.1%	3.1%	100.0%
2004	49.5%	39.8%	10.7%	100.0%
2005	52.6%	43.5%	3.9%	100.0%

Source: Annual edition of the *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts.

When compared with the following data, Poquoson still relies less upon local revenue sources and more upon State revenue, than does the typical Virginia locality. This is primarily due to Schools receiving approximately 55% of their revenue from the State.

Sources of Revenue - All Virginia Localities

Year	Local	State	Federal	Total
1996	61.3%	31.3%	7.4%	100.0%
1997	60.9%	32.0%	7.1%	100.0%
1998	60.6%	32.1%	7.3%	100.0%
1999	58.4%	34.1%	7.5%	100.0%
2000	56.8%	35.6%	7.6%	100.0%
2001	55.6%	36.9%	7.5%	100.0%
2002	56.2%	36.1%	7.7%	100.0%
2003	56.2%	35.1%	8.7%	100.0%
2004	56.3%	33.9%	9.8%	100.0%
2005	56.3%	35.0%	8.7%	100.0%

Source: Annual edition of *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts.

APPENDIX

It is also useful to consider the various sources from which local revenue is raised. As can be seen from the following table, 84.9% comes from General Property Taxes (Real Estate and Personal Property) and Other Local Taxes (Local Sales Tax and Consumer Utility Tax, etc.). This percentage has fluctuated between 82% and 88% since 1996.

Sources of Local Revenue - Poquoson

Year	General Property Taxes	Other Local Taxes	Permits & Fees	Fines	Charges For Services	Interest and Rent	Misc.
1996	73.9%	14.0%	0.8%	0.3%	7.9%	1.6%	1.5%
1997	74.3%	13.6%	0.7%	0.3%	8.1%	1.7%	1.3%
1998	74.0%	13.6%	0.8%	0.2%	8.2%	2.0%	1.2%
1999	73.2%	14.2%	0.9%	0.3%	7.8%	2.3%	1.3%
2000	70.4%	14.4%	0.7%	0.3%	11.2%	1.7%	1.3%
2001	71.9%	14.3%	0.8%	0.2%	9.9%	1.7%	1.2%
2002	67.8%	16.7%	1.0%	0.2%	11.9%	0.9%	1.5%
2003	68.4%	15.4%	0.7%	0.2%	11.0%	0.8%	3.5%
2004	67.1%	15.1%	1.0%	0.2%	10.8%	0.4%	5.4%
2005	70.2%	14.7%	1.0%	0.2%	11.2%	0.7%	2.0%

Source: Annual edition of *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts.

As one would expect in a community that does not have an extensive commercial and industrial base, property taxes generate more revenue than in the typical Virginia locality. Poquoson's local revenue sources are compared to the statewide figures in the following table.

Sources of Local Revenue Poquoson Compared to State Average

	1996		2005	
	Poquoson	All Cities	Poquoson	All Cities
General Property Taxes	73.9%	54.2%	70.2%	52.8%
Other Local Taxes	14.0%	29.4%	14.7%	30.7%
Permits & Fees	0.8%	0.7%	1.0%	0.9%
Fines	0.3%	0.8%	0.2%	0.9%
Charges for Services	7.9%	9.6%	11.2%	10.0%
Interest and Rent	1.6%	2.3%	0.7%	1.8%
Miscellaneous	1.5%	3.0%	2.0%	2.9%

Source: Annual edition of *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts.

APPENDIX

REAL ESTATE TAX REVENUE

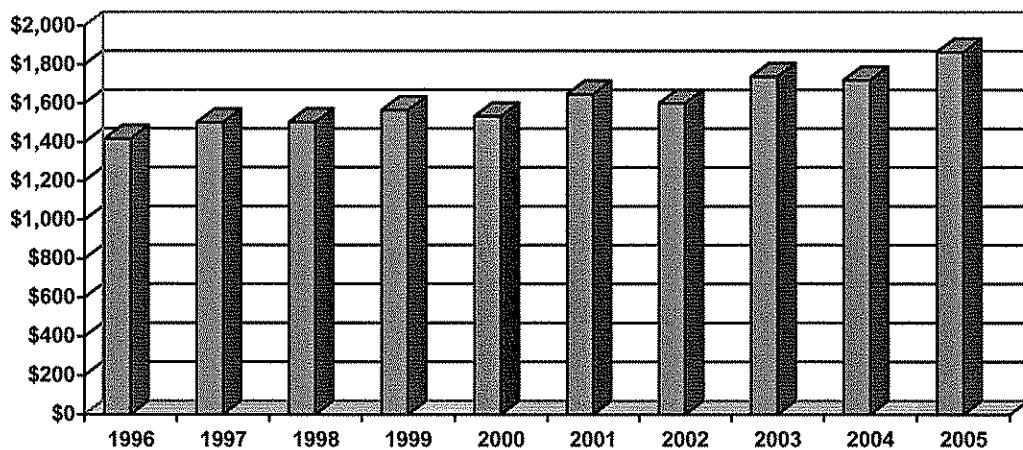
After adjusting for inflation, real estate tax revenue per Poquoson household has increased by approximately 31.5% since 1996, or an average of 3.2% per year.

Total Real Estate Property Tax Revenue Per Household

Year	Revenue In Current Dollars	Revenue Per Household	Revenue in 1996 Dollars	Revenue Per Household
1996	\$5,833,365	\$1,418	\$5,833,365	\$1,418
1997	\$6,451,606	\$1,551	\$6,245,504	\$1,502
1998	\$6,648,708	\$1,580	\$6,328,722	\$1,504
1999	\$7,093,100	\$1,671	\$6,645,400	\$1,565
2000	\$7,224,688	\$1,680	\$6,590,732	\$1,533
2001	\$8,120,847	\$1,867	\$7,164,656	\$1,647
2002	\$8,142,010	\$1,843	\$7,070,204	\$1,600
2003	\$9,200,578	\$2,050	\$7,802,171	\$1,738
2004	\$9,368,376	\$2,066	\$7,796,335	\$1,720
2005	\$10,573,098	\$2,315	\$8,517,813	\$1,865
% CHANGE	81.3%	63.2%	46.0%	31.5%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Real Estate Tax Revenue Per Household



APPENDIX

In 1995, the City's nominal tax rate was slightly above the average rate for all cities within the State.

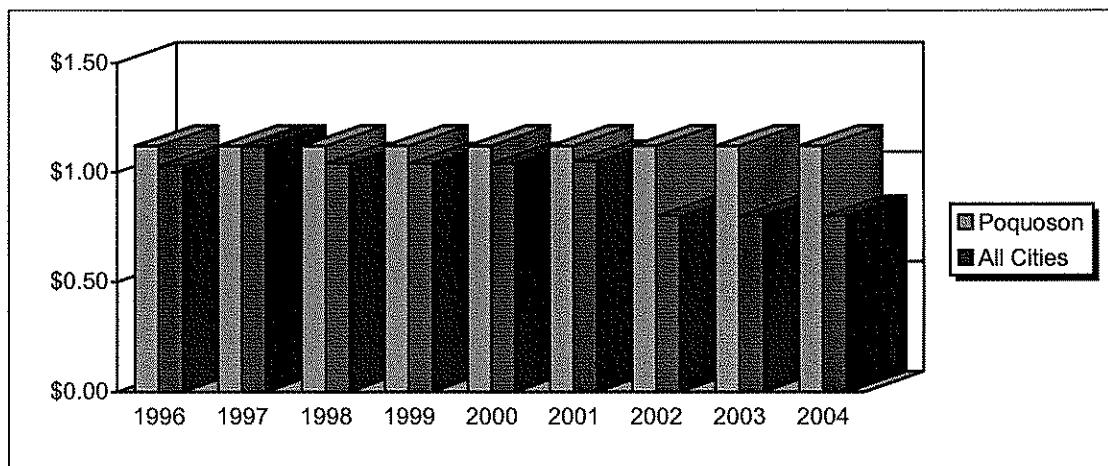
In considering Real Estate Tax Revenue, the locality's assessments must also be considered. The Assessment/Sales Ratio, computed by the State Department of Taxation, compares assessed values and selling prices of all residential property sold within a locality during a given year. Poquoson's ratio almost mirrors the State average, although during non-assessment years, it tends to drop below the average.

Median, Nominal and Effective Real Estate Tax Rates

Year	Median Ratio		Nominal Tax Rates		Effective Tax Rates	
	Poquoson	VA Cities/ Counties	Poquoson	VA Cities/ Counties	Poquoson	VA Cities/ Counties
1996	91.5%	91.5%	\$1.12	\$1.03	\$1.02	\$0.94
1997	96.0%	91.7%	\$1.12	\$1.03	\$1.07	\$0.95
1998	94.6%	91.7%	\$1.12	\$1.03	\$1.06	\$0.94
1999	96.1%	88.9%	\$1.12	\$1.04	\$1.06	\$0.92
2000	91.6%	85.2%	\$1.12	\$1.04	\$1.03	\$0.89
2001	93.8%	76.8%	\$1.12	\$1.05	\$1.05	\$0.80
2002	87.5%	83.8%	\$1.12	\$0.80	\$0.98	\$0.68
2003	85.8%	82.0%	\$1.12	\$0.80	\$0.96	\$0.66
2004	94.1%	77.8%	\$1.12	\$0.80	\$1.05	\$0.62

Source: *The 2004 Virginia Assessment/Sales Ratio Study*, Virginia Department of Taxation. Latest date available.

Nominal Real Estate Tax Rate



APPENDIX

The City remains overwhelmingly dependent upon the single-family residential taxpayer base. The Commissioner of the Revenue has furnished the assessed values for single-family, multi-family residential property, commercial and agricultural property for each of the years shown below. Although there has been a slight increase since 1996 in the percentage of the tax base represented by commercial property, the category still accounts for only 6.7% of total assessments.

Real Property Assessments by Category and Percent of Total

Year	Residential		Other		
	Single Family	Multi-Family	Commercial	Agriculture	Total
1996	93.3%	1.4%	5.1%	0.2%	100.0%
1997	93.7%	1.3%	4.8%	0.2%	100.0%
1998	93.5%	1.3%	5.0%	0.2%	100.0%
1999	91.9%	1.3%	6.5%	0.3%	100.0%
2000	91.6%	1.3%	6.8%	0.3%	100.0%
2001	91.6%	1.3%	6.8%	0.3%	100.0%
2002	91.8%	1.4%	6.6%	0.2%	100.0%
2003	91.8%	1.4%	6.6%	0.2%	100.0%
2004	92.0%	1.2%	6.6%	0.2%	100.0%
2005	91.9%	1.2%	6.7%	0.2%	100.0%

Source: Assessment data furnished by the City of Poquoson's Assessor.

APPENDIX

Analysis of real estate revenue must consider the percentage of taxes actually collected by the Treasurer. Poquoson's record is as follows:

Uncollected Current Property Taxes as a Percent of Net Levy

Year	Percent
1996	1.7%
1997	0.7%
1998	0.8%
1999	1.9%
2000	1.7%
2001	3.0%
2002	3.8%
2003	3.1%
2004	2.5%
2005	3.2%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Bond rating firms consider that a municipality will normally be unable to collect about two or three percent of its current and back property taxes each year. If uncollected property taxes rise to more than five to eight percent, rating firms consider this a negative factor because it signals potential problems in the stability of the property tax base. Rating firms also consider it a negative factor if the rate of delinquency significantly rises for two consecutive years.

APPENDIX

PERSONAL PROPERTY TAX REVENUE

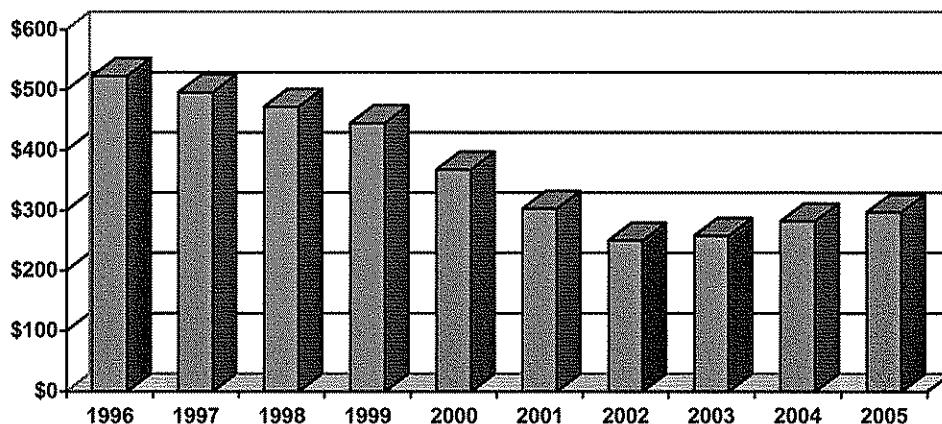
Assessments on personal property have been increasing. In 1999, the State implemented the Personal Property Tax Relief Act, where the State reduced the percentage of personal property tax the citizen paid on vehicles. The State reimbursed localities for the reduced personal property taxes.

Total Personal Property Tax Revenue Per Household

Year	Revenue in Current Dollars	Revenue Per Household	Revenue in 1996 Dollars	Revenue Per Household
1996	\$2,151,495	\$523	\$2,151,495	\$523
1997	\$2,128,861	\$512	\$2,060,853	\$496
1998	\$2,086,271	\$496	\$1,985,864	\$472
1999	\$2,017,181	\$475	\$1,889,861	\$445
2000	\$1,735,218	\$404	\$1,582,955	\$368
2001	\$1,495,673	\$344	\$1,319,565	\$303
2002	\$1,271,261	\$288	\$1,103,914	\$250
2003	\$1,367,354	\$305	\$1,159,528	\$258
2004	\$1,538,520	\$339	\$1,280,352	\$282
2005	\$1,682,524	\$368	\$1,355,461	\$297
% CHANGE	-21.8%	-29.6%	-37.3%	-43.3%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Personal Property Tax Revenue Per Household



APPENDIX

OTHER LOCAL SALES TAX REVENUE

Other Local Tax Revenue consists of revenue received from three general sources: revenue received from the local sales tax of 1% on taxable retail sales, revenue received from the Consumer Utility Tax imposed on electrical, gas and telephone bills, and revenue from other local taxes such as meals tax, business licenses, motor vehicle licenses, E-911 tax, taxes on recordations and wills, etc.

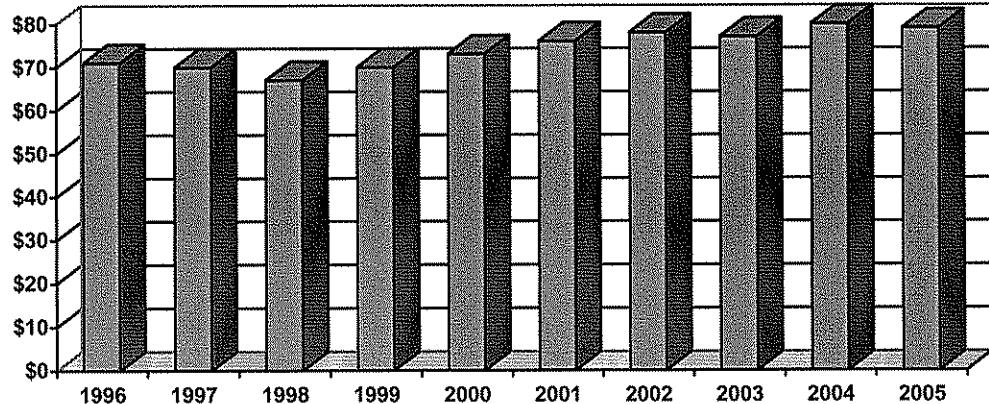
In current dollar terms, revenue received from the local 1% sales tax has increased by 53.4% since 1996. However, when viewed on a per household basis and after adjustment for inflation, revenue has increased by 11.3%. This particular source of revenue, like personal property tax revenue, tends to follow general economic conditions.

Local Sales Tax Revenue Per Household

Year	Revenue in Current Dollars	Revenue Per Household	Revenue in 1996 Dollars	Revenue Per Household
1996	\$291,028	\$71	\$291,028	\$71
1997	\$301,752	\$73	\$292,112	\$70
1998	\$296,954	\$71	\$282,662	\$67
1999	\$319,236	\$75	\$299,087	\$70
2000	\$343,158	\$80	\$313,046	\$73
2001	\$375,179	\$86	\$331,003	\$76
2002	\$395,630	\$90	\$343,550	\$78
2003	\$407,006	\$91	\$345,145	\$77
2004	\$435,253	\$96	\$362,216	\$80
2005	\$446,435	\$98	\$359,653	\$79
% CHANGE	53.4%	38.1%	23.6%	11.3%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Local Sales Tax Revenue Per Household



APPENDIX

Revenue from the Consumer Utility Tax has declined when viewed on a per household basis.

Consumer Utility Tax Revenue Per Household

Year	Revenue in Current Dollars	Revenue Per Household	Revenue in 1996 Dollars	Revenue Per Household
1996	\$373,725	\$91	\$373,725	\$91
1997	\$382,232	\$92	\$370,021	\$89
1998	\$358,490	\$85	\$341,237	\$81
1999	\$421,374	\$99	\$395,059	\$93
2000	\$436,602	\$102	\$398,059	\$93
2001	\$416,631	\$96	\$367,575	\$85
2002	\$419,694	\$95	\$364,446	\$82
2003	\$440,543	\$98	\$373,584	\$83
2004	\$439,998	\$97	\$366,165	\$81
2005	\$447,622	\$98	\$360,610	\$79
% CHANGE	19.8%	7.8%	-3.5%	-13.1%

Source: Annual edition of the City of Poquoson's Comprehensive Annual Financial Report.

APPENDIX

When viewed on a per household basis after adjusting for inflation, Other Local Tax Revenue has kept pace with residential development. In 1998, the City had new restaurants open which increased both meals tax and sales tax. In 2002, meals tax increased from 4.0% to 5.5% and a 10 cent cigarette tax was instituted.

Other Local Tax Revenue

Year	Revenue in Current Dollars	Revenue Per Household	Revenue in 1996 Dollars	Revenue Per Household
1996	\$903,512	\$220	\$903,512	\$220
1997	\$948,580	\$228	\$918,277	\$221
1998	\$1,016,366	\$242	\$967,451	\$230
1999	\$1,084,665	\$255	\$1,016,203	\$239
2000	\$1,110,667	\$258	\$1,013,208	\$236
2001	\$1,192,544	\$274	\$1,052,127	\$242
2002	\$1,587,462	\$359	\$1,378,490	\$312
2003	\$1,594,936	\$355	\$1,352,520	\$301
2004	\$1,649,713	\$364	\$1,372,886	\$303
2005	\$1,741,665	\$381	\$1,403,106	\$307
% CHANGE	92.8%	73.6%	55.3%	39.8%

Source: Annual edition of the City of Poquoson's *Adopted Annual Financial Plan*.

APPENDIX

EXPENDITURES

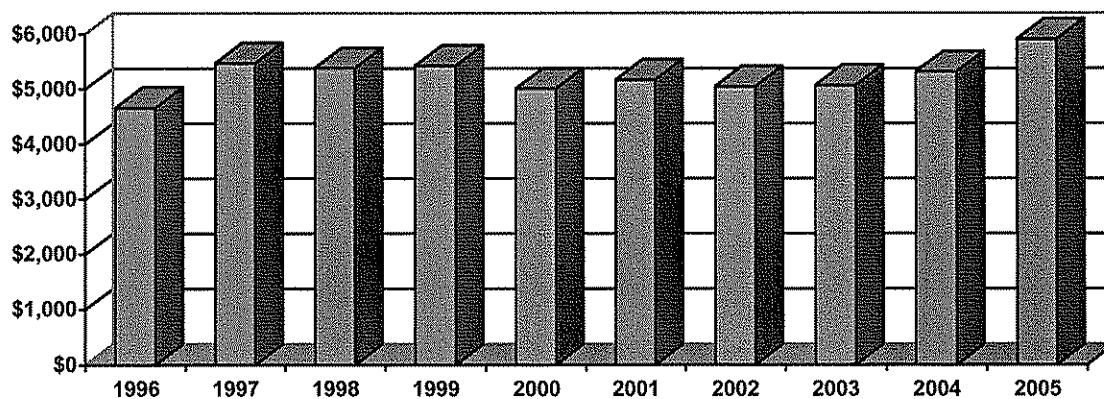
Total expenditures supported by Local, Federal and State funding, in current dollar terms, have grown from \$19 million in 1996 to over \$33 million in 2005, an increase of 74.8%. However, after adjustment for inflation and growth in households, the increase has been approximately 2.7% per year.

Total Expenditures Per Household

Year	Expenditures in Current Dollars	Expenditures per Household	Expenditures in 1996 Dollars	Expenditures per Household
1996	\$19,157,965	\$4,658	\$19,157,965	\$4,658
1997	\$23,487,977	\$5,648	\$22,737,635	\$5,467
1998	\$23,764,843	\$5,649	\$22,621,098	\$5,377
1999	\$24,576,933	\$5,788	\$23,025,693	\$5,423
2000	\$23,596,725	\$5,488	\$21,526,147	\$5,006
2001	\$25,570,167	\$5,880	\$22,471,177	\$5,167
2002	\$25,665,657	\$5,809	\$22,287,056	\$5,045
2003	\$26,816,117	\$5,974	\$22,740,304	\$5,066
2004	\$28,944,097	\$6,384	\$24,087,193	\$5,313
2005	\$33,484,255	\$7,330	\$26,975,314	\$5,905
% CHANGE	74.8%	57.4%	40.8%	26.8%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*, includes General, Special Revenue, Debt Service and Capital Projects Funds.

Total Expenditures Per Household



APPENDIX

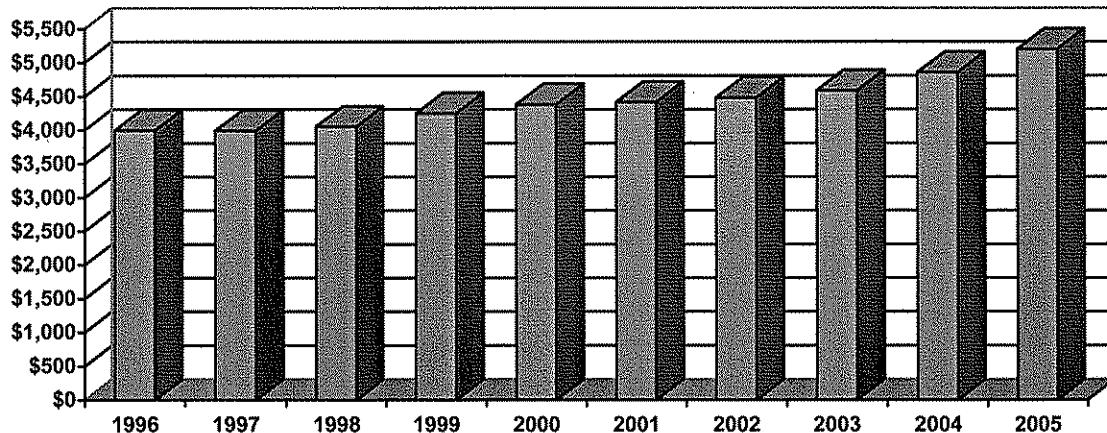
The operating budget, which funds recurring expenses, has shown a slight increase as new services have been added to meet the needs of a growing community and existing services have been improved. However, this increase has been extremely small at an average of 3% per year.

Total Operating Expenditures Per Household

Year	Expenditures in Current Dollars	Expenditures per Household	Expenditures in 1996 Dollars	Expenditures per Household
1996	\$16,437,759	\$3,997	\$16,437,759	\$3,997
1997	\$17,148,987	\$4,123	\$16,601,149	\$3,992
1998	\$17,900,325	\$4,255	\$17,038,825	\$4,050
1999	\$19,248,993	\$4,533	\$18,034,040	\$4,247
2000	\$20,645,634	\$4,801	\$18,834,010	\$4,380
2001	\$21,742,499	\$4,999	\$19,182,424	\$4,411
2002	\$22,785,888	\$5,158	\$19,786,377	\$4,479
2003	\$24,262,997	\$5,405	\$20,575,236	\$4,583
2004	\$26,448,517	\$5,833	\$22,010,379	\$4,855
2005	\$29,461,311	\$6,449	\$23,734,382	\$5,196
% CHANGE	79.2%	61.4%	44.4%	30.0%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Total Operating Expenditures Per Household



APPENDIX

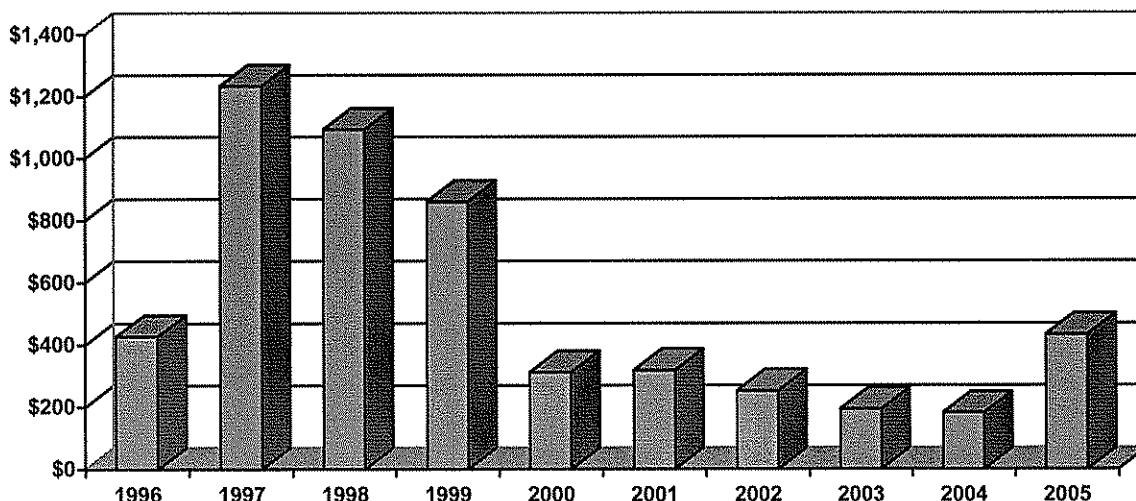
Capital expenditures were low in the early 1990's, as there were no large City projects. In the mid-nineties, the City started to address many long delayed capital projects. In 1995, the City built a new cafeteria for the Middle School and in 1996 started building a City Hall and Library. In 1998 the City started a major renovation and addition to the Poquoson High School. This work was completed in 1999. In 2000 to 2002, the City addressed smaller projects including renovations to Police Station and Parks and Recreation complex, replaced some larger Public Works equipment, built a second Fire Station, replaced a fire aerial/pumper truck, and dredged Messick Point area. In late 2004, the City began several projects located at Messick Point. The first two projects, a pier and boat ramp, were completed in 2005.

Total Capital Expenditures Per Household

Year	Expenditures in Current Dollars	Expenditures per Household	Expenditures in 1996 Dollars	Expenditures per Household
1996	\$1,755,324	\$427	\$1,755,324	\$427
1997	\$5,299,946	\$1,274	\$5,130,635	\$1,234
1998	\$4,832,525	\$1,149	\$4,599,947	\$1,093
1999	\$3,898,984	\$918	\$3,652,889	\$860
2000	\$1,471,535	\$342	\$1,342,410	\$312
2001	\$1,567,339	\$360	\$1,382,792	\$318
2002	\$1,282,450	\$290	\$1,113,630	\$252
2003	\$1,021,949	\$228	\$866,622	\$193
2004	\$987,539	\$218	\$821,827	\$181
2005	\$2,457,918	\$538	\$1,980,128	\$433
% CHANGE	40.0%	26.1%	12.8%	1.6%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Total Capital Expenditures Per Household



APPENDIX

Operating Expenditures Per Household In 1996 Dollars

The table below depicts the growth in operating expenditures by function of government, on a per-household basis and after adjustment for inflation.

<i>Year</i>	<i>Education</i>	<i>Public Safety</i>	<i>Public Works</i>	<i>Parks, Recreation and Culture</i>
1996	\$2,810	\$508	\$175	\$113
1997	\$2,790	\$528	\$198	\$123
1998	\$2,794	\$549	\$187	\$131
1999	\$2,922	\$598	\$192	\$141
2000	\$3,002	\$625	\$209	\$141
2001	\$3,063	\$627	\$180	\$148
2002	\$3,058	\$645	\$202	\$142
2003	\$3,080	\$713	\$191	\$144
2004	\$3,290	\$736	\$207	\$140
2005	\$3,511	\$783	\$226	\$147
% CHANGE	24.9%	54.1%	29.6%	30.1%

<i>Year</i>	<i>General</i>			<i>Total</i>
	<i>Administration</i>	<i>Debt Service</i>	<i>All Other</i>	
1996	\$261	\$235	\$130	\$4,231
1997	\$211	\$242	\$126	\$4,217
1998	\$225	\$233	\$165	\$4,284
1999	\$234	\$315	\$161	\$4,563
2000	\$244	\$314	\$160	\$4,694
2001	\$238	\$438	\$154	\$4,849
2002	\$247	\$314	\$185	\$4,793
2003	\$241	\$289	\$214	\$4,873
2004	\$245	\$277	\$237	\$5,131
2005	\$272	\$276	\$256	\$5,472
% CHANGE	4.4%	17.7%	97.6%	29.3%

Source: Annual edition of the City of Poquoson's Comprehensive Annual Financial Report.

APPENDIX

While education, public safety, parks, recreation and culture, and debt service categories have increased since 1996, total expenditures are still about 11% under the average level of expenditures incurred by other Virginia localities, as shown on the following table. Poquoson residents fund their school system at 119% of the average local expenditures, while other areas of government are generally under the average expenditures level prevailing throughout the State.

**Operating Expenditures
City of Poquoson Compared to State Average
by Per-Capita Expenditures**

	1996			2005		
	Poquoson	All Cities	% of Avg.	Poquoson	All Cities	% of Avg.
Education	\$990.29	\$924.30	107.1%	\$1,712.23	\$1,435.40	119.3%
Public Safety	\$181.87	\$312.44	58.2%	\$379.09	\$525.29	72.2%
Public Works	\$91.58	\$188.03	48.7%	\$145.23	\$248.78	58.38%
Parks, Recreation and Cultural	\$59.81	\$86.34	69.3%	\$115.91	\$131.16	88.4%
General Administration	\$93.21	\$81.85	113.9%	\$131.16	\$128.08	102.4%
Judicial Administration	\$5.54	\$30.27	18.3%	\$15.14	\$54.09	28.0%
Health & Welfare	\$60.97	\$212.72	28.7%	\$124.52	\$369.92	33.7%
Community Development	\$17.18	\$56.29	30.5%	\$52.71	\$105.34	50.0%
TOTAL	\$1,500.45	\$1,892.24	79.3%	\$2,675.99	\$2,998.06	89.3%

Source: Annual edition of the *Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts.

APPENDIX

DEBT SERVICE

Debt Service is defined as the amount of interest and principal that must be paid on long-term debt. As the amount decreases, it lessens obligations and increases expenditure flexibility. Credit industry standards provide for a 20% ratio of total operating expenditures before debt service is considered to be a potential problem.

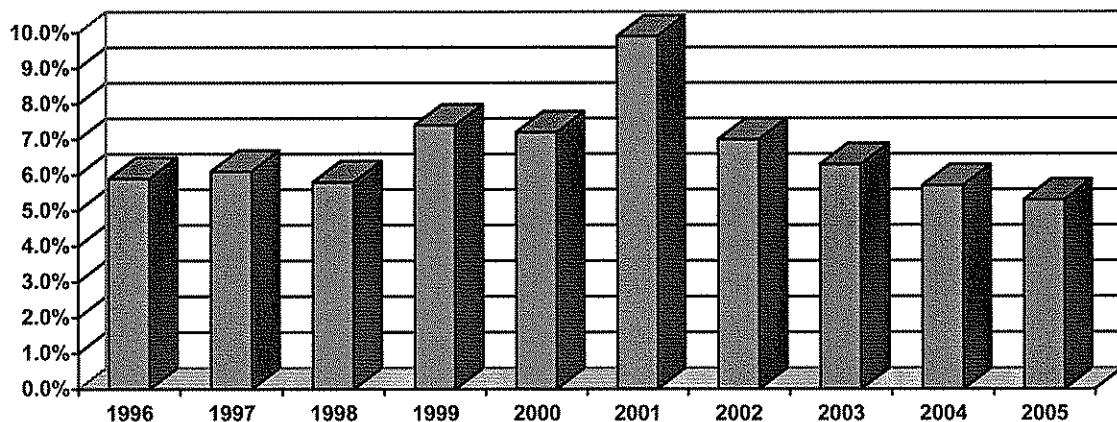
As shown in the table below, the City's 5.3% ratio of debt service to total operating expenditures is acceptable. In 1999, the City started paying for debt on the new wing at the high school. In 2001, the City started paying on the new Fire Station.

Ratio of Debt Service to Total Operating Expenditures

Year	Debt Service	Operating Expenditures	Percent of Expenditures
1996	\$964,882	\$16,437,759	5.9%
1997	\$1,039,044	\$17,148,987	6.1%
1998	\$1,031,993	\$17,900,325	5.8%
1999	\$1,428,956	\$19,248,993	7.4%
2000	\$1,479,556	\$20,645,634	7.2%
2001	\$2,160,329	\$21,742,499	9.9%
2002	\$1,597,319	\$22,785,888	7.0%
2003	\$1,531,171	\$24,262,997	6.3%
2004	\$1,508,041	\$26,448,517	5.7%
2005	\$1,565,026	\$29,461,311	5.3%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Ratio of Debt Service to Total Expenditures



APPENDIX

There is also a legal limit for cities in Virginia whereby the amount of bonded long-term debt cannot exceed 10% of the city's total assessed value of real property. As the table below shows, the city's ratio of bonded debt to assessed valuation amounts to 2.5%.

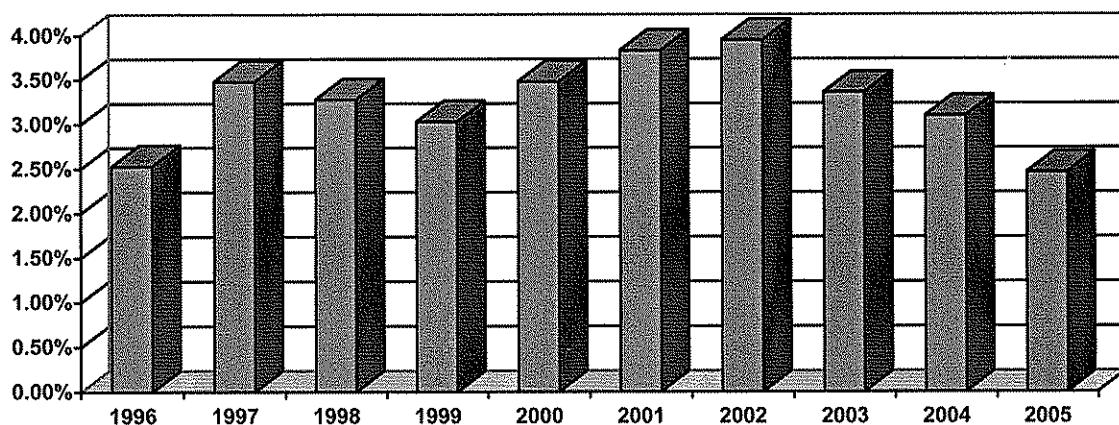
Capacity is therefore available should City Council decide to undertake additional long-term borrowing to fund infrastructure and capital improvements.

Ratio of Bonded Debt to Assessed Value

Year	<i>Bonded Debt</i>				Ratio Debt to Assessed Value
	<i>Assessed Value of Taxable Real Estate</i>	<i>General Fund Supported</i>	<i>Enterprise Funds</i>	<i>Total</i>	
1996	\$526,576,600	\$8,389,503	\$4,909,000	\$13,298,503	2.5%
1997	\$573,426,552	\$15,244,732	\$4,698,000	\$19,942,732	3.5%
1998	\$586,329,508	\$14,758,832	\$4,502,000	\$19,260,832	3.3%
1999	\$634,147,446	\$14,631,049	\$4,560,591	\$19,191,640	3.0%
2000	\$647,091,321	\$13,818,890	\$8,699,313	\$22,518,203	3.5%
2001	\$721,546,098	\$14,536,070	\$13,108,140	\$27,644,210	3.8%
2002	\$732,405,108	\$14,145,971	\$14,779,335	\$28,925,306	4.0%
2003	\$814,646,831	\$13,233,807	\$14,131,490	\$27,365,297	3.4%
2004	\$832,002,644	\$12,269,134	\$13,506,624	\$25,775,758	3.1%
2005	\$1,002,511,357	\$11,914,942	\$12,791,016	\$24,705,858	2.5%
% CHANGE	90.4%	42.0%	160.6%	85.8%	0.0%

Source: Annual edition of the City of Poquoson's *Comprehensive Annual Financial Report*.

Ratio of Bonded Debt to Assessed Value



GLOSSARY

ACCRUAL BASIS – A basis of accounting in which transactions are recognized at the time they are incurred, as opposed to when cash is received or spent.

APPROPRIATION - An authorization made by the legislative body of a government, which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.

ASSESSED VALUATION - A valuation set upon real estate or other property by the City Assessor as a basis for levying property taxes.

BOND - A written promise to pay (debt) a specified sum of money (called principal or face value) at a specified future date (called the maturity date(s)) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt.

BUDGET – A plan of financial activity for a specified period of time (fiscal year or biennium) indicating all planned revenues and expenses for the budget period.

CAPITAL IMPROVEMENTS PLAN (CIP) – A planning tool that identifies necessary capital projects for the City of Poquoson over a five-year period.

CAPITAL OUTLAY – Outlays resulting in the acquisition of, or addition to, fixed assets. Exceptions to this are major capital facilities which are constructed or acquired – such as, land and buildings. These are funded in the Capital Improvement Budget.

CHARGES FOR SERVICES – Fees the City charges users of government services, such as recreation fees, court costs, library fines, etc.

CONTINGENCY ACCOUNT - A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

DEBT SERVICE – The annual principal and interest payments for the debt incurred by the City in the process of acquiring capital outlay or constructing capital facilities.

DEPARTMENT – A major administrative division of the City that has overall management responsibility for an operation or a group of related operations within a functional area.

DEPRECIATION - (1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence; (2) that portion of the cost of a capital asset which is charged as an expense during a particular period.

ENCUMBRANCES – The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for future expenditures.

ENTERPRISE FUND – Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

ESTIMATED REVENUES – Are budgetary accounts, which reflect the amount of revenue estimated to be accrued during the fiscal year.

GLOSSARY

EXPENDITURES - An outflow of resources that results in a decrease in the fund's net assets. Expenditures, used with governmental-type funds, are categorized as current expenditures, debt service, capital outlays, and other financing uses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and on special assessment indebtedness secured by interest-bearing special assessment levies, which should be recognized when due.

EXPENSES - Charges incurred (whether paid immediately or unpaid) for operation, maintenance, interest, and other charges.

EXECUTIVE SUMMARY - A general discussion of the proposed budget presented in writing as a part of the budget document. The executive summary explains principal budget issues against the background financial experience in recent years and presents recommendations made by the City Manager.

FEDERAL GOVERNMENT, Revenue from the – Funds provided by the federal government to compensate the locality for federal program impact, for programs jointly funded by the locality and the federal government and outright grants.

FINES AND FORFEITURES – A broad range of fines and forfeitures for violations of local government ordinances.

FIXED ASSETS – Assets of long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

FISCAL YEAR - A twelve-month period to which the annual budget applies and at the end of which a governmental unit determines its financial position and results of operation. The City of Poquoson uses July 1st to June 30th as its fiscal year.

FUND - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

FUND BALANCE - The excess of a fund's assets over its liabilities. A negative fund balance is sometimes called a deficit.

GENERAL OBLIGATION BONDS - When a government pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (GO) bonds. Sometimes the term is also used to refer to bonds, which are to be repaid from taxes and other general revenues.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) – This refers to a set of standard rules and procedures used to account for the receipt and expenditure of funds.

GENERAL PROPERTY TAXES – Taxes on real and personal property, both tangible and intangible, such as vehicles, real estate and business equipment. Interest and penalties on delinquent taxes are also included in the category.

GLOSSARY

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) – An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of generally accepted accounting principles for state and local government since its inception.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL FUNDS – Funds generally used to account for tax-supported activities. The City has three governmental funds: The general fund, debt service fund, and capital projects fund.

GRANT - A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grants are usually made for specified purposes.

INDUSTRIAL DEVELOPMENT AUTHORITY (IDA) – A political subdivision of the Commonwealth of Virginia with such public and corporate powers as set forth in the Industrial Development & Revenue Act.

INTERNAL SERVICE FUND – Proprietary fund type that is used to report an activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units on a cost-reimbursement basis.

LINE OF CREDIT (LOC) – Short-term interest bearing note issued by the government.

MODIFIED ACCRUAL ACCOUNTING - All governmental funds and expendable trust funds use the modified accrual basis of accounting. The private sector's accrual basis of accounting is "modified" for governmental units, so that revenue is recognized in the accounting period when it becomes measurable and available. Expenditures are recorded when the liability is incurred or in the absence of a liability, when the cash disbursement is made.

NET ASSETS, or EQUITY – The residual interest in the assets of an entity that remains after deducting its liabilities; sometimes referred to as equity.

OPERATING BUDGET - A plan of financial operation embodying an estimate of proposed expenditures for the fiscal year and the proposed means of financing them (revenue estimates).

PERMITS, PRIVILEGES FEES, AND REGULATORY LICENSES – The class of permits, fees, and licenses which includes such levies as user permits to cover costs of processing requests for changes in zoning, building permits, electrical permits, plumbing permits, to license animals, etc.

PERSONAL PROPERTY TAX RELIEF ACT OF 1998 (PPTRA) – A State legislative action to decrease the amount of personal property that citizens pay on qualified vehicles. The State pays the locality the amount of the relief, so that the locality is not out any money, even though the citizen is given relief. Vehicles must be used for personal use and not a business to qualify for relief. Large trucks, commercial vehicles, RV's, boats, and utility trailers continue to pay full personal property taxes.

GLOSSARY

For qualified vehicles valued at \$1,000 or less, the taxpayer pays nothing and the State reimburses the locality for the entire amount. Qualified vehicles are given 70% relief on the tax for vehicles assessed between \$1,000 and \$20,000. The tax on any assessments over \$20,000 is not given any relief.

RETAINED EARNINGS – An equity account reflecting the accumulated earnings of any enterprise or internal service fund.

REVENUE - The term designates an increase to a fund's assets which does not increase a liability (e.g., proceeds from a loan), does not represent a repayment of an expenditure already made, does not represent a cancellation of certain liabilities, and does not represent an increase in contributed capital.

REVENUE ESTIMATE - A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

REVENUE AND EXPENDITURE DETAIL - Represents the smallest level or breakdown in budgeting for revenue and expenditures.

TAX RATE - The amount of tax levied for each \$100 of assessed value.

TRANSFERS FROM OTHER FUNDS - Budget line item used to reflect transfers of financial resources into one fund from another fund.

TRANSFERS TO OTHER FUNDS - Budget line item used to reflect transfers of financial resources out of one fund to another fund.

UNAPPROPRIATED FUND BALANCE - The excess of a fund's assets and estimated revenue for a period over its liabilities, reserves, and available appropriations for the period.

UNRESTRICTED NET ASSETS – That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

VIRGINIA RETIREMENT SYSTEM (VRS) – An agent multiple-employer public retirement system that acts as a common investment and administrative agent for the political subdivisions in the Commonwealth of Virginia.

FREQUENTLY USED ACRONYMS AND ABBREVIATIONS

ABC	-	Alcoholic Beverage Control
ABOS	-	Anderson-Bugg Outboard Services
ACOE	-	Army Corps of Engineers
ARB	-	Architectural Review Board
AV	-	Assessed Valuation
BAI	-	Bright & Associates
BMP	-	Best Management Practice
BZA	-	Board of Zoning Appeals
CAMA	-	Computer Assisted Mass Appraisal
CBLAD	-	Chesapeake Bay Local Assistance Dept.
CDBG	-	Community Development Block Grant
CD-ROM	-	Compact Disc – Read Only Memory
CIP	-	Capital Improvement Plan
CNU	-	Christopher Newport University
COPS	-	Community Orientated Police Services
CRIMES	-	Comprehensive Regional Information Management Exchange System
CSA	-	Comprehensive Services Act
DCR	-	Department of Conservation and Recreation
DEQ	-	Department of Environmental Quality
DMV	-	Division of Motor Vehicles
DUI	-	Driving Under the Influence
DVD	-	Digital Video Disc
E & S	-	Erosion & Sediment
E-911	-	Emergency 911
EMS	-	Emergency Medical Service
EMT	-	Emergency Medical Technician
EPA	-	Environmental Protection Agency
FEMA	-	Federal Emergency Management Agency
FTE	-	Full Time Equivalent
FY	-	Fiscal Year
GAAP	-	Generally Accepted Accounting Principles
GASB	-	Governmental Accounting Standards Board
GFOA	-	Government Finance Officers Association
GIS	-	Geographic Information System
GO	-	General Obligation
hcf	-	100 cubic feet
HMGP	-	Hazard Mitigation Grant Program
HRPDC	-	Hampton Roads Planning District Committee
HVAC	-	Heating, Ventilation, and Air Conditioning
IDA	-	Industrial Development Authority
IRMS	-	Integrated Revenue Management System
LINX	-	Law Enforcement Information Exchange
LOC	-	Line of Credit
NADA	-	National Automobile Dealer's Association

FREQUENTLY USED ACRONYMS AND ABBREVIATIONS

NASA	-	National Aeronautics and Space Administration
NBA\WNBA	-	National Basketball Association\Women's National Basketball Association
NPDES	-	National Pollutant Discharge Elimination System
NVRA	-	National Voter Registration Act
PES	-	Poquoson Elementary School
PHS	-	Poquoson High School
PMS	-	Poquoson Middle School
PPS	-	Poquoson Primary School
PPTRA	-	Personal Property Tax Relief Act
RE	-	Real Estate
ROW	-	Right Of Way
RPA	-	Resource Protection Area
RV	-	Recreational Vehicle
SC	-	Service Charge
SOL	-	Standards of Learning
SPCA	-	Society for the Prevention of Cruelty to Animals
SSOS	-	Sanitary Sewer Overflows
TNCC	-	Thomas Nelson Community College
VAZO	-	Virginia Association of Zoning Officials
VDEM	-	Virginia Department of Emergency Management
VML	-	Virginia Municipal League
VMRC	-	Virginia Marine Resources Commission
VoIP	-	Voice over the Internet
VPA	-	Virginia Port Authority
VPDES	-	Virginia Pollutant Discharge Elimination System
VPPSA	-	Virginia Peninsulas Public Service Authority
VPSA	-	Virginia Public Schools Authority
VPSU	-	Virginia Peninsula Swimming Union
VRA	-	Virginia Resources Authority
VRS	-	Virginia Retirement System
YMCA	-	Young Men's Christian Association